

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION



AUGUST 1956



Discussion group at 9th International Banking Summer School, Rutgers University (page 3)

## A Common Machine Language for Banks

(page 65)



## A remedy for growing pains— new IBM Mortgage Loan Accounting

Sometimes real accounting progress comes only after a new and sudden awareness of growth. Each day your people work along with increasing efficiency . . . meeting your steadily growing volume . . . then . . . suddenly, in the wake of rapid population and business growth, your accounting volume zooms beyond the capacity of your present system!

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# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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## GENERAL NEWS.

Dr. Livingstone's Progress in the Interior of Africa.

DR. LIVINGSTONE.

The Arabs Regard Him as a Resident Progress of His Geographical Enterprise.

LONDON, Aug. 29.—Dr. KIRK, of Zanzibar, writes that Dr. LIVINGSTONE is still in the country west of Tanganyika, and the Arabs there count him a resident. In that region no ill-feeling is manifested toward him. He is moving slowly but safely, and will leave no doubts in the geographical problem, whether Lake Tanganyika is the real head of the Nile, or if it empties by the Congo.

Progress of Cholera in Prussia and Yellow

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Wreck of A north Steamer

LONDON, Aug. 29.—A steamer, has been driven upon

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the Standing Army—Movements of

Ex-Queen Isabella.

PARIS, Aug. 11.—It is reported that the no-

negotiations between Berlin and Versailles for the

evacuation of France have resulted in an agree-

ment by which the occupation of French

territory by the German troops will en-

tirely cease before the end of the

present year. It is said that President THIERS

urges on the Military Committee of the Assem-

by the necessity of having more armaments

PRICE FOUR CENTS.

## GREAT BRITAIN.

Speech of Queen Victoria in the British Parliament.

Prorogation of Parliament—The Queen's Speech—The Treaty of Washington—

LONDON, Aug. 21.—Parliament was pro-

rogued today. The Commons were summoned

to the Chamber of the House of Lords, where

Peers were in attendance, and only a few ladies

were present. The speech was read by the Lord

Chancellor, as one of the members of the Royal

Commission. The following is a verbatim copy

of the speech :

MY LORDS AND GENTLEMEN: The time has

now arrived when I am enabled to release you

from the charge in Parliament, and to

call you to the consideration of the

business of the State.

... R CENTS.

## EUROPEAN NEWS.

German Evacuation of France this Year Probable.

Negotiations for German Evacuation—The Standing Army—Movements of Ex-Queen Isabella.

PARIS, Aug. 11.—It is reported that the no-

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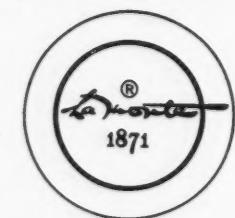
urges on the Military Committee of the Assem-

by the necessity of having more armaments

Clippings from  
NEW YORK TIMES  
August, 1871

# HEADLINE NEWS in August, 1871

... the year La Monte introduced the first practical safety paper for checks



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Introduction of tamper-proof checks did not crowd Dr. Livingstone out of the news headlines 85 years ago. Yet its effect on our economy and lives was vastly more far-reaching. Today our safe checking system is a vital part of efficient, convenient business and personal finance. And today, as for 85 years, the safety paper chosen by a majority of the nation's leading banks is made by La Monte. That is the test and the proof of La Monte Safety Paper's outstanding quality, protection and service.

**La Monte**  
**SAFETY PAPER FOR CHECKS**

GEORGE LA MONTE & SON, NUTLEY 10, NEW JERSEY

BANKING

# Just a Minute

## Work for the Blind

RECENTLY Dr. J. E. Kay, former Brooklyn, N. Y., physician, paid a visit to BANKING. This was no ordinary business call, for Dr. Kay is totally blind as the result of a laboratory accident several years ago.

BANKING's visitor, alert to whatever might help others with his handicap, had found the item on page 52 of our May issue, describing how a group of blind persons in Houston had done a job for The National Bank of Commerce there—and in record time.

Dr. Kay, it happens, began organizing groups of the blind in 1947. Each group, composed of 12 persons, is called a K-Twelve Group. Operat-

ing on a strictly voluntary basis, "for fun and learning," as one of Dr. Kay's brochures says, these groups meet regularly for reading (BANKING is on the list), lectures, concerts, plays, hikes, and tours.

Dr. Kay's visit was intended to let BANKING know that other groups of blind persons, in New York and elsewhere, are ready and anxious to do such jobs for banks and other businesses as the one in Houston.

His address: 51 Clark St., Brooklyn 1, N. Y.

## Footnote for Investors

A STUDY of investment policies of 42 colleges and universities with endowments totaling \$2.2-billion shows



"Don't mention anything derogatory about the Brooklyn Dodgers"

that last year the schools had an average of 56% of their funds in common stocks. The smallest percentage thus invested was Vassar's 42.5, the largest Wesleyan's 79.2.

A breakdown of 20 of the funds showed that the 10 most popular industrial stocks in these institutions' portfolios were: Standard Oil Company (New Jersey), Christiana Se-

## THIS MONTH'S COVER

Here is a discussion group at the 9th International Banking Summer School held in July at Rutgers University, in cooperation with the Institute of Bankers of London. The school was conducted under direction of the Institute's secretary, Maurice Megrah. About 210 bankers from 39 countries attended. The leader of the group pictured was Frank Taylor, secretary of the Institute of Bankers in Scotland, seated at the table. Speaking is James A. Harper, assistant manager, New York office of Brown Brothers Harriman & Co. The topic was "The United States Banking System." More about the school will appear in a survey of banking education scheduled for an early issue of BANKING



# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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FOR QUALITY PROPERTY INSURANCE SEE YOUR HOMETOWN AGENT!

## task force for catastrophe



When a windstorm, fire or other catastrophe strikes, everybody needs help at once. That could mean delay, suffering, needless expense for the property owners affected. The Home Insurance Company believes that its policyholders are entitled to extraordinary efforts to see that they get prompt, fair payment for their insured losses. That's what quality insurance means. That's why it pays to buy the best. And that's why in every office of The Home across the nation, catastrophe crews are trained and kept in readiness to serve you. The Home Catastrophe Plan supplements the work of other industry-wide organizations. How can you get this kind of quality protection for your home, your car, your business? Just see your local agent or broker of The Home Insurance Company. It's the thing to do!

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ORGANIZED 1853  
Home Office: 59 Maiden Lane, New York 8, N. Y.  
FIRE • AUTOMOBILE • MARINE  
*The Home Indemnity Company, an affiliate, writes  
Casualty Insurance, Fidelity and Surety Bonds*  
A stock company represented by over 40,000 independent local agents and brokers

# for a better understanding . . .

this advertisement appears in color in:

BUSINESS WEEK—Sept. 8; NEWSWEEK—Sept. 17;  
TIME—Sept. 17; U. S. NEWS & WORLD REPORT—Sept. 28;  
NATION'S BUSINESS—October; TOWN JOURNAL—October;  
AMERICAN HOME—October; BETTER HOMES & GARDENS—October.

### CORRECTION

AN error was made in the caption of the map on page 35 of our July issue. The article itself, dealing with branch location, described the experience and branch location procedure of The Central National Bank of Cleveland. Through a very regrettable error the map caption referred to The Cleveland Trust Company. The map as well as the text pertained, however, to The Central National Bank of Cleveland.

curities, General Motors, General Electric, du Pont, Standard Oil Company (California), International Paper, Union Carbide and Carbon, Texas Company, and American Telephone and Telegraph.

The 42 funds ranged in size from \$3,074,000 at Bates to \$442,000,000 for Harvard. The study was prepared by Vance, Sanders & Co., of Boston, dealer in mutual funds.

### Salute!

A RECENT issue of *Bandwagon*, published by the Greater Wilkes-Barre Chamber of Commerce, contained an editorial calling for "a rousing (and much belated) salute to the bankers."

It started with a reference to the persistence of the "Scrooge myth" and continued:

"*Bandwagon* would like to change  
(CONTINUED ON PAGE 6)

Bankers Trust Company, New York, gave an autographed baseball coin bank to new depositors who opened savings accounts of at least \$5 in July



# STATEMENT OF CONDITION

June 30, 1956

## ASSETS

Cash on Hand and Due from Banks . . . . .	\$308,802,921.40
United States	
Government Obligations . . . . .	95,264,409.83
Public Housing	
Authority Obligations (Fully Guaranteed) . . . . .	4,423,301.40
State, County, and	
Municipal Bonds . . . . .	18,903,371.48
Stock in Federal Reserve Bank . . . . .	1,500,000.00
Other Bonds . . . . .	2,585,172.27
Loans and Discounts . . . . .	341,339,637.82
Income Accrued . . . . .	2,210,584.57
Letters of Credit and Acceptances . . . . .	8,276,489.40
Banking House and Equipment . . . . .	9,065,628.17
Other Assets . . . . .	236,602.58
	<u>\$792,608,118.92</u>

## LIABILITIES

Capital Stock . . . . .	\$ 22,000,000.00
Surplus Fund . . . . .	28,000,000.00
Undivided Profits . . . . .	5,051,274.23
Reserved for Contingencies . . . . .	55,051,274.23
Reserved for Taxes, Etc. . . . .	5,900,804.71
Deferred Income . . . . .	3,756,793.66
Letters of Credit and Acceptances . . . . .	1,659,325.38
DEPOSITS:	
Individual . . . . .	454,816,137.60
Banks . . . . .	247,348,078.63
U. S. Government . . . . .	15,769,215.31
	<u>717,963,431.54</u>
	<u>\$792,608,118.92</u>

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The major difference between banks  
of today is the way people are treated

*Ben Wooten*  
PRESIDENT



81 years of growth through service to people

**NATIONAL BANK**  
**in Dallas**

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

1st

(CONTINUED FROM PAGE 4)

## Your Bank May Be Next!

Selling of businesses is our business. Naturally, many of these transactions involve financing, and it is often our pleasure to deal with local banks.

We have no time for trivialities. When a prospective buyer indicates a genuine desire to buy a business, we satisfy ourselves that he has an adequate down payment, plus character and experience, before we refer him to any bank.

Otherwise, we would be selling General Motors Corporation or the Empire State Building several times a week — to people who would like to own them if someone else is willing to supply all the money.

**AMERICAN  
EQUITABLE  
CORPORATION**

35 East Wacker Drive  
Chicago 1, Illinois

this—at least locally. For without the splendid cooperation of the banks and bankers throughout Greater Wilkes-Barre area, such industrial enterprises as Eberhard Faber, Superior Combustion, Foster Wheeler, King Fifth Wheel, Nelson & Sons, and others would still be operating . . . but not from Wilkes-Barre.

"Ever since Greater Wilkes-Barre Industrial Fund was founded, banks and bankers have bent over backwards to keep it functioning, making loans to erect buildings, and contributing to the fund itself. Without this support, the fund would have ceased to exist.

"Whenever drives are launched, it is the banker who is first solicited, and the amount of his voluntary contribution usually sets the scale for everyone else. That almost all of last year's drives were successful augurs well for banker cooperation!"

**Dear Dad:**

FROM *Arizona Progress*, published by Valley National Bank of Phoenix, we pass along this piece by Editor Herbert A. Leggett:

"Dear Pater:

"Ever since I can remember you have written me a long letter on Father's Day. These letters came to



"I have an estate planning problem that I need help with . . . I'm broke!"

me when I was in school, in the service and lately in business. They have been full of fatherly counsel on a variety of subjects ranging all the way from sex to economics. This year let's reverse the procedure. I think you should be told some of the facts of life.

"In retrospect you must admit that most of the advice you have given me has been wrong. For example, you always harped on the importance of working hard and going to bed early. I soon discovered that hard work is for peasants and re-

(CONTINUED ON PAGE 11)

### English—the Queen's and Yours

I WONDER how much it is recognized that of all your Institute studies, English is of paramount value, that without it the rest is incomplete and inadequate. Spoken and written expression is the hallmark of understanding . . .

Every one should respect his mother tongue, the language which is native to him or which he has adopted by accepting the responsibility of citizenship of a state other than that in which he was born.

Let me say that the American language is equally to be cherished in the United States as is our English in the United Kingdom. If your language had remained the same as that which was brought over in the Mayflower, the United States would not have been the power it is today. It might have remained the colony of another empire. Language is one of the treasures of mankind and, like every other living thing, should be nurtured and made to grow.

Your language is dynamic and pungent; and in England we have borrowed not a little from it, to the enrichment of our own tongue. However, if I had the temerity to offer a word of criticism, I would ask you to give as much value to enunciation as to content. Each word deserves its own publicity; and to treat it in cavalier fashion is ill-bred, for slovenly speech is incompatible with good breeding and good banking. I have the feeling that language gets less consideration these days than it merits.—MAURICE MEGRAH, secretary of The Institute of Bankers, London, to the American Institute of Banking.

# Potomac Portrait

Across the Potomac from Mt. Vernon the ancient ramparts of Fort Washington still stand symbolic guard over the river approach to the Federal City.

NO. 20 IN A SERIES DEPICTING THE PRINCIPAL FEATURES OF WASHINGTON'S HISTORIC RIVER

Ollie Atkins



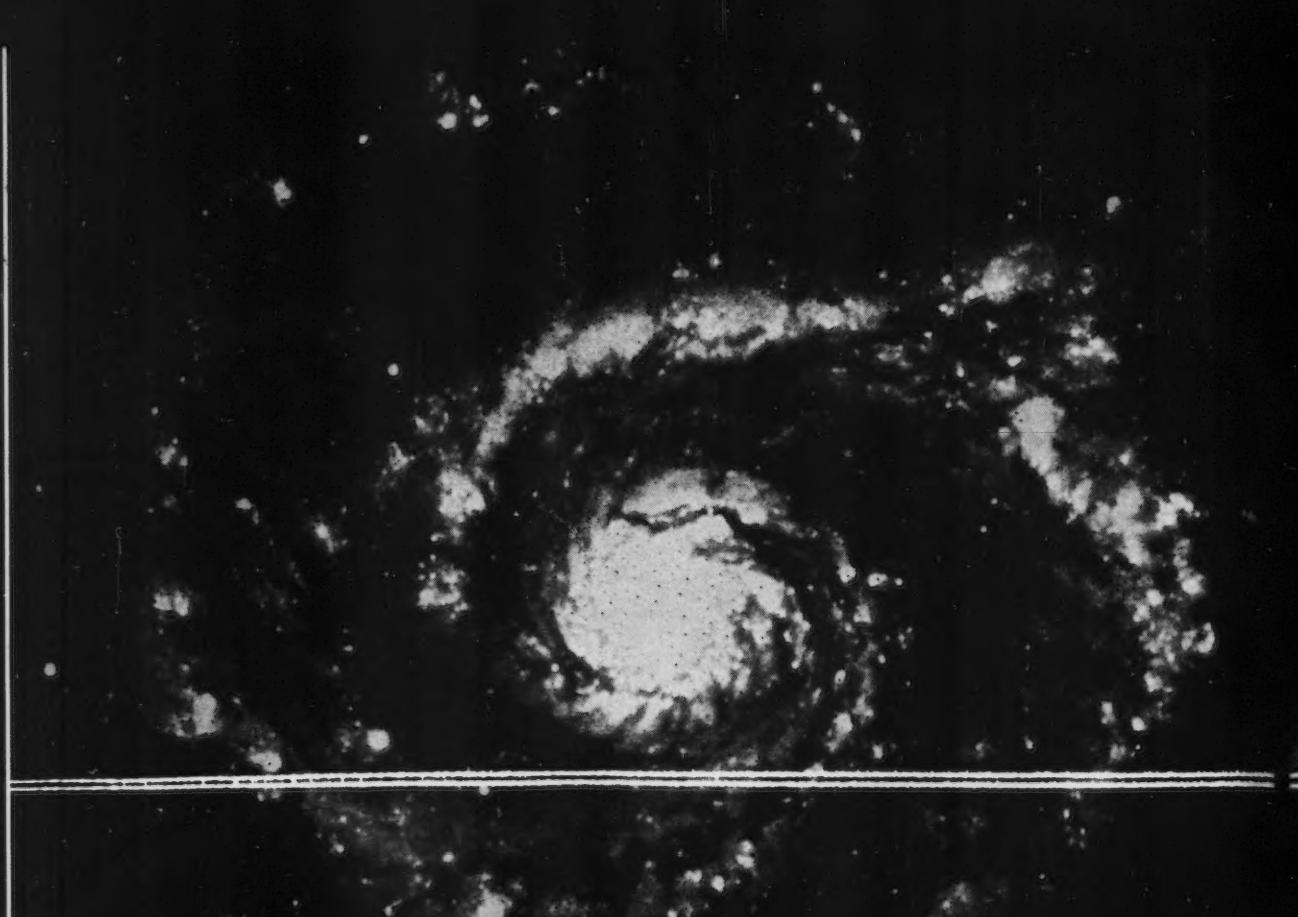
*Old cut of Riggs & Co's bank, serving Washington  
in the days of sailing ships and bustling river commerce.*

## The RIGGS NATIONAL BANK

*of WASHINGTON, D.C.*

FOUNDED 1836 • LARGEST BANK IN THE NATION'S CAPITAL

Member Federal Deposit Insurance Corporation • Member Federal Reserve System



*Lockheed scientists are designing*

# WINGS FOR THE ATOM

*Domesticating the atom to serve mankind has intrigued science for over a decade. One top priority application, secretly under way for several years at Lockheed: developing a nuclear-powered plane as different from present types as a supersonic jet is from the first stick-and-wire biplane.*

**IMAGINE A GIANT AIRCRAFT SOARING ALOFT, NOT WITH TONS OF GASOLINE, BUT WITH A URANIUM FUEL SUPPLY NO BIGGER THAN A HANDFUL OF GRAVEL. EVENTUALLY, SUCH A PLANE-OF-THE-FUTURE—WITH THIS SCANT FUEL SUPPLY—WILL GIRDLE THE GLOBE NON-STOP BETWEEN SUNRISE AND SUNSET.**

More than a dream, this incredible aircraft is now being developed by Lockheed for the U.S. Air Force despite problems of propulsion, structures and materials, thermodynamics, crew survival, producibility and maintenance unique in aviation.

Old concepts are being shelved, traditional solutions rejected. The kind of aeronautical advances that once took a generation of research are now being telescoped into a few months, even weeks.

Soon several hundred nuclear scientists and engineers from Lockheed's Georgia Division will move to the North Georgia mountain country. There on a vast site—some 40 miles from U.S. Air Force Plant No. 6 at Marietta, operated by Lockheed—will be built the nation's largest facility for the development of atomic-powered aircraft.

The exact status today of the atomic plane is still

## LOCKHEED'S NEWS COLUMN

Detection of Heart Disease—our nation's #1 killer—is being speeded with aid of Lockheed's battery of super-fast electronic brains that are correlating the studies sponsored by the Nash Cardiovascular Foundation. Ten minutes' work sandwiched between computations at the Missile Systems Division gives the cardiologist complete and accurate harmonic analysis of electrocardiograms that speed his vital research immeasurably . . .

Radiant heating, first time used in any airliner, will be one of the many new creature comforts of Lockheed's up-coming propjet Electra. Heating wires in walls and ceilings work like electric blankets to give no-draft, no-hot-spot comfort . . .

Atomic plane concept on a recent cover of Newsweek was not based in any way on Lockheed's Georgia Division ANP (Aircraft Nuclear Power) Project. That plane will really surprise you . . .

25,000 Lockheed stockholders in every state of the union will learn in mid-August that sales reached approximately \$345 million for the first half of 1956. In a like period 20 years ago sales were less than one million . . .

Univac's newest cousin Si (for Scientific) will be the top quiz kid in the battery of analogue and digital brains at Lockheed's Missile Systems' Computer Center. Si, first Model 1103A Univac in use, "thinks" up to 100 times faster than other computers . . .

A nationally-known Los Angeles physician, after periods of intense nerve strain, goes to the airport, buys a round-trip ticket to New York on a Super Constellation, spends quiet day at the Waldorf-Astoria, and comes back on the next flight. Says: "It relaxes me" . . .

Hercules C-130 performance data just released show that the USAF strong-man can haul 20 tons of cargo right on the contrails of a fast jet tactical force. 100 mph faster than present combat transports, Hercules climbs fully loaded to 2500 feet altitude in just one minute.

*Look to Lockheed  
for Leadership*

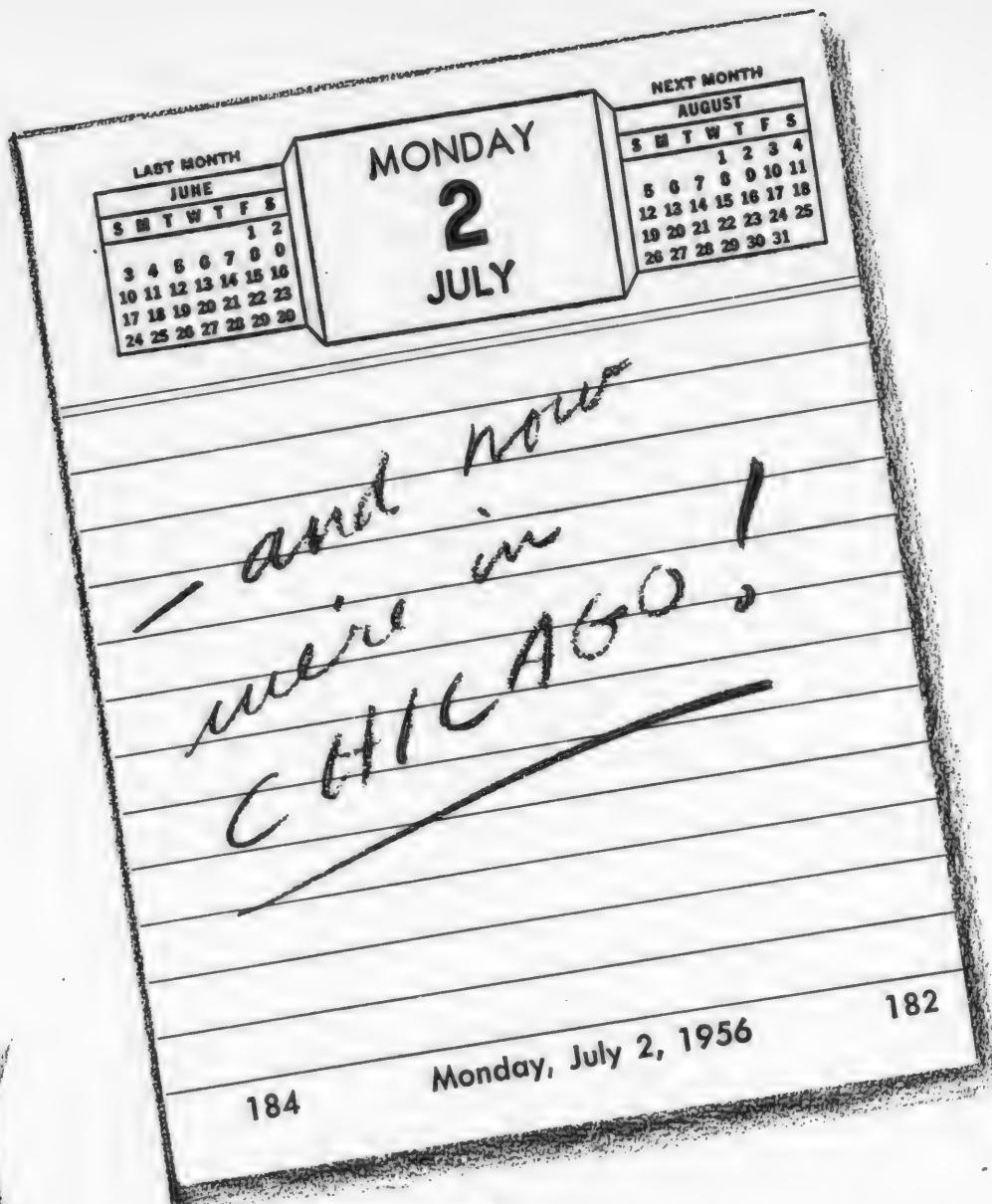
# LOCKHEED

Aircraft Corporation

California Division, Burbank, Calif.  
Georgia Division, Marietta, Ga.  
Missile Systems Division, Van Nuys,  
Palo Alto, and Sunnyvale, Calif.  
Lockheed Air Terminal, Burbank, Calif.  
Lockheed Aircraft Service, Ontario, Calif.

a military secret. But this much can be said: The first nuclear aircraft to blaze across America's skies may not look essentially different from conventional planes, but functionally it can only be described as revolutionary. And after the nation's military requirements are met, the transports then available to you as a traveler will rank among the truly exciting events of aviation history.

YOU YOURSELF MAY THEN TRAVEL ABOARD A NUCLEAR-POWERED AIRLINER—CROSSING THE U.S. IN AN HOUR OR TWO, OR SPANNING THE ATLANTIC IN LESS TIME THAN IT NOW TAKES TO FLY FROM CHICAGO TO NEW YORK.



1225 VINE ST., PHILADELPHIA 7, PA.  
1052 W. 6th ST., LOS ANGELES 17, CAL.  
228 N. LA SALLE ST., CHICAGO 1, ILL.

*Distinctive Design for Financial Institutions*

(CONTINUED FROM PAGE 6)

tiring early is for the birds. On the few occasions when I did these things I missed out on a lot of fun and good contacts.

"Another mistake was your admonition not to gamble or go into debt. Everything in life is a gamble, including marriage and Government bonds. Remember the fellow in the Scriptures who buried his talent, i.e., put it in a safe deposit box, but wound up losing it (probably inflation). On the other hand, a neighbor who played the stock market with his talent got two for one (apparently a stock split-up).

"As for debt, well now. A man is no longer judged by what he owns but by what he owes. One's standing in the community is measured by his borrowing power. As a result of taking wild chances on borrowed money I shall soon be able to retire in comfortable luxury whereas you and brother Joe, who followed your advice, will probably plod along until age 65 and then be forced to live on Social Security.

"Meanwhile, however, my own boys are quite a problem. They are lazy, undependable, and don't appreciate the value of money. When I tell them they must study hard and go to bed early, they just give me the you-know-what. I hope that you and mother can do something with

them when they vacation with you this summer.

"Sheepishly yours,  
"Blackie"

#### **Handwriting**

**T**HE International Grapho Analysis Society held its 27th anniversary convention in Cincinnati early this summer.

We didn't go, but it was interesting to learn about this organization from the news releases and other material distributed prior to the meeting.

Grapho analysis is handwriting analysis, and differs from "graphology," we learned, in that it is an "exact science." Members of the society are people who make a personal study of handwriting.

The convention program comprised lectures on subjects in which grapho analysis plays a part; the agenda listed credit rating and personnel selection, among others.

#### **Net Profit: \$10.60**

**E**ACH year the New York Financial Writers Association presents awards for the best annual reports of Junior Achievement companies in the metropolitan district. Top honors for 1955 went to the First J. A. Bank of New York, on Second Avenue; it's sponsored by Chemical Corn Exchange Bank.



**Congratulations  
MICHIGAN BANK  
Guardian Building  
Detroit, Michigan**

**Rambusch Lighting  
40/50 FOOT-CANDLES  
WELL-DISTRIBUTED  
GLARE-FREE LIGHT**

**WHEELER & BECKER,  
ARCHITECTS. F. A.  
SANDO, CONSULTING  
ENGINEER, DETROIT**

**E. BURTON WOLF, ASSO.  
RAMBUSCH AGENTS  
W. D. GALE ELECTRIC CO.  
ELECTRICAL CONTRS.**

**RAMBUSCH, DESIGNERS  
& MANUFACTURERS  
40 WEST 13 STREET  
NEW YORK 11, N. Y.**

Robert E. Lee Hill, right, executive manager, Missouri Bankers Association hands the 1956 Missouri Press Association's award for the best personal column to Norman B. Gallagher, publisher of the *Belle Banner*. Each year MBA sponsors one division in the newspaper contest



## FREE SAMPLE

### Your Choice of 4 Styles

Send for complete catalog of BOWER BANKS to select type you'd like to consider to bolster your deposits and advertise your institution IN THE HOMES. These visible coin banks with your imprint are self-liquidating! They soon become an "institution" in themselves. Get your FREE SAMPLE and feel their appeal!

### Use this Sales Theme!

Advertise and display these banks by promoting: "IT'S FUN TO WATCH YOUR SAVINGS GROW!" Has both child and adult appeal. Builds traffic, creating business for other departments. Fine public relations. Start with as few as two dozen. FREE self-selling display stand, ad mats, etc.

Names of hundreds of happy customers on request. Sales guaranteed or money back.

**BOWER**  
Manufacturing Co.

Box 1-B-1  
Goshen, Indiana



### American Appraisals correct errors in property accounts

Continuous American Appraisal Service® is an effective method of property control—reflecting changes in physical assets and fluctuations in value. It keeps property records in line with property facts.

The  
**AMERICAN APPRAISAL Company**  
leader in property valuation  
HOME OFFICE: MILWAUKEE 1, WIS.

As of May 1 this J. A. enterprise had assets of \$2,839. Operating income in 1955 was \$166, which after such expenses as rent, salaries, taxes, postage, etc., left a net profit of \$10.60. Income was from service charges for check imprinting, two loans, and an investment in bankers acceptances. Depositors are other JA companies.

Chairman of the bank's board is 17-year-old Bernard Friedman. He received the "best report" award from Norman C. Stabler of the *New York Herald Tribune*, chairman of the NYFWA Junior Achievement Committee.

### How Many Fleurins a Dozen?

"JUST imagine balancing the accounts totaling \$730,638.00 for 20,000 merchants in 88 countries of the world!" exclaims the Florist Telegraph Delivery Association. "Sounds almost impossible, but it is accomplished with speed and ease in the clearing houses of FTDA and its international affiliate, Interflora."

The three clearing houses—in Zurich, London, and Detroit—use punch-card machines to balance accounts between member florists. Since flowers-by-wire orders are placed with one florist and filled by another (who may be half-way around the world from the first), an efficient system is necessary.

During the last fiscal year 122,144 orders were exchanged between Interflora members. The total dollar value was \$730,638, or an average of \$5.98.

"Because of currency differences," says the Association, "it was necessary to create a standard monetary unit for transmission and clearing of orders. All international orders are transmitted in 'fleurins.' The fleurin, adopted in 1946, is pegged on two stable currencies, and equals the American quarter-dollar and the Swiss franc. When a change occurs in the monetary value of a country's currency, the value of the fleurin is readjusted in terms of the revalued currency.

"The florist sending the order transmits it in fleurins, according to his country's currency. For instance, a customer in this country may wish to send a dozen roses to a friend in Germany, for \$5. The American florist, in his cable, will specify, one dozen roses, 20 fleurins. The German florist will then translate the



Norman Stabler, of the New York Financial Writers Association, left, congratulates Bernie Friedman, chairman of the First Junior Achievement Bank of New York, on his company's winning report

fleurins into current currency in his country, and the flow of flowers-by-wire continues, for sentiment knows no international boundaries, and flowers are the truest expression of sentiment."

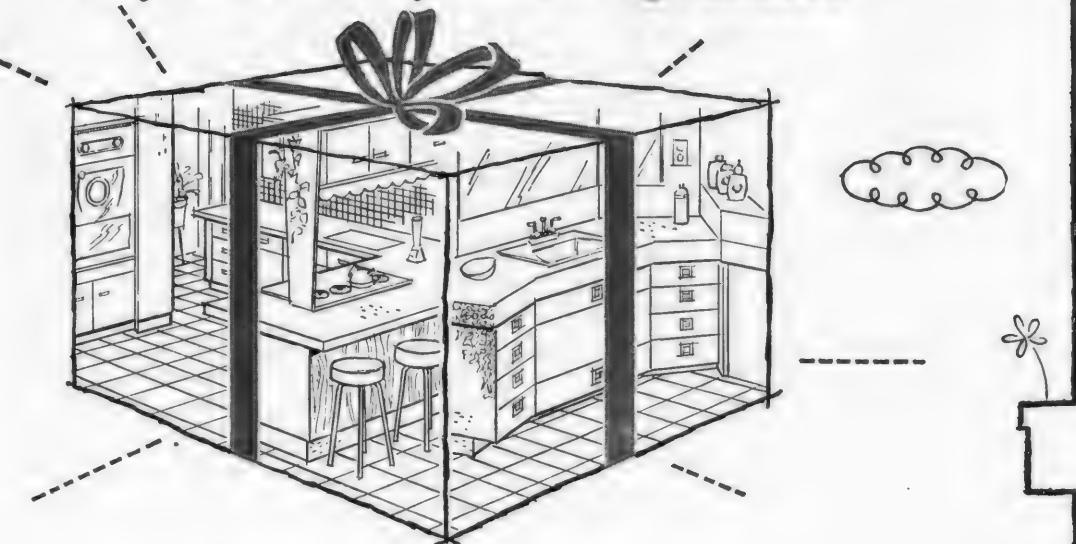
*Every good idea must have a beginning. Maybe all of us could start living within our incomes on Monday and Friday.*

**"I do not live beyond your income, I just live ahead of it"**



# FORMICA CORPORATION THANKS YOU \*

*for helping Mrs. America  
modernize her home with long wear,  
easy care, beauty bonded* **FORMICA®**



\*Now, with your cooperation via "Operation Home Improvement," Mrs. America really can enjoy a new Formica installation all wrapped up in a convenient Time Payment Plan.

The response from bankers to our first announcement has been most gratifying. Now, colorful, full page advertising in national magazines is inviting millions of Mrs. Americas to enjoy Formica every minute while paying by the month. If you have not, as yet, explained your Time Payment Plans to your local Formica fabricators, may we suggest that you give them a friendly call. The local Formica office or distributor will be glad to furnish you with a complete Formica fabricator list. Many of these fabricators also are listed under "Plastics" in your classified telephone directory.

Our "Facts" folder will provide you with complete details. Just ask for "Facts" . . . Formica Corporation, subsidiary of American Cyanamid, 4556 Spring Grove Ave., Cincinnati 32, Ohio.

Beauty Bonded Formica is literally "tops" for modernizing kitchens, bathroom Vanitory units and furniture. Lovely Formica in color-blending patterns and wood grains never requires polishing, refinishing or painting. Its first cost is its final cost. It beautifies, serves and saves.



Subsidiary of **CYANAMID**



## Treasury's New Buff-Colored Check

THE Treasury Department announces that beginning about August 1, 1956, a number of Government disbursing officers will issue a new form of Government check different in appearance from the familiar green-colored punch card and conventional paper checks drawn on the Treasurer of the United States.

The new checks will be buff-colored (light brown), in punch card form, and will have a diagonal cut in the upper right corner. They will replace the comparatively few paper checks now issued by the Government. Green punch card checks, which have a diagonal cut in the upper left corner, will continue in use.

"The buff-colored checks will be introduced in connection with the adoption of high speed electronic machines to process the payment and reconciliation of Government checks," the announcement said. "The new machines, in use August 1, were installed after two years' study by the Treasury, General Accounting Office and the Bureau of the Budget, as another step to reduce costs by improving Government procedures. As previously announced, upon complete conversion to the system, annual savings of \$2,250,000 are expected.

"The electronic machines, capable

of accurately 'remembering' facts and figures, will both process checks for payment and reconcile the checks after payment. Facts concerning each check issued, such as the serial number and amount, will be fed into the machines. When the check comes back to the Treasury for payment, the machines will either verify or throw it out as incorrect. They will also provide information at any time on checks still outstanding, thereby simplifying the reconciliation of accounts of disbursing officers. Costly recording and auditing procedures in check processing, performed by several hundred persons, will no longer be necessary.

"The new buff-colored checks will be used primarily by disbursing officers presently issuing paper checks prepared by hand. They will require special punching at the Federal Reserve banks, which is not necessary in the case of the more generally used green cardboard checks. The buff color was adopted to simplify the separation of these checks at the Federal Reserve banks for this special punching.

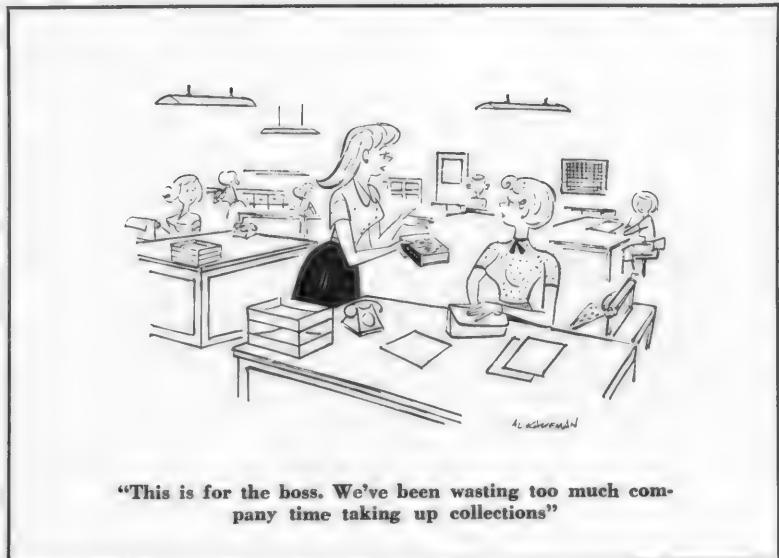
"About 350,000,000 checks are issued each year by the Government, of which 30,000,000 are now paper. The latter are being eliminated beginning August 1, and will disappear completely as those outstanding at that time are cashed."

Wherever people work standing . . .  
they're happier  
less fatigued  
more efficient  
when they are  
standing on  
**HYGIENIC**  
*Foot Comfort*  
**MATS & RUNNERS**  
• MARBLEIZED COLORS  
• BEVELED EDGES  
FOR SAFETY

HERE'S WHY . . .  
SPONGE RUBBER BASE  
BONDED TO RUBBER  
TILE FLOORING FOR  
JUST THE RIGHT  
"GIVE"

See your BANK OUTFITTER or OFFICE  
SUPPLY DEALER or write: FLOORING  
DIV. DEPT. C for prices and literature

THE HYGIENIC DENTAL MFG. CO.  
AKRON 8 OHIO U.S.A.





## A customer's most valuable man can wreck the business...if he dies

**I**F A GOOD commercial customer of your bank isn't prepared, the death of a key man in the firm can seriously damage the business, or even end it. The more outstanding the key man is, the more the business can suffer from his loss. Maybe he's an engineer, a financial genius, a salesman extraordinary, or the top man. Connecticut Mutual *business life insurance* on such key men will settle these worries once and for all.

**Q.** Would the death of a key man hurt income, profits or credit?

**A.** It could hurt all three — that's why many firms use *business life insurance* to offset these financial losses.

**Q.** How can *business life insurance* help in the "replacement period"?

**A.** It will provide funds to carry the company over this difficult time — and for the salary needed to attract an outstanding replacement.

**Q.** If the principal owner is the key man, what will *business life insurance* do for his heirs and employees?

**A.** Forced sale of the business could hurt everybody badly. Connecticut Mutual *business life insurance* will provide funds to make up the difference between a quick sale and the real value, or to enable the employees to carry on.

Insurance on the human assets of a business is as important as fire insurance on its physical assets. Because *business life insurance* is so important to every financial and management man, Connecticut Mutual years ago set up a special department for it. There are Connecticut Mutual men near you who are trained in every aspect of *business life insurance*.

Founded in 1846, Connecticut Mutual was one of the earliest and is today one of the largest writers of life insurance for specialized business purposes. Not only are its policies particu-

larly adapted to *business life insurance* needs, but comparisons will show that its costs are among the lowest.

### FREE BOOKLETS ON BUSINESS LIFE INSURANCE

Particularly useful to bankers who are concerned with the continued financial soundness of their customers is a series of booklets, one on each of the basic kinds of *business life insurance*. Send for one or all of them. The ideas in these booklets may help your customers assure the lives of their businesses.

### The CONNECTICUT MUTUAL LIFE INSURANCE COMPANY • HARTFORD

THE CONNECTICUT MUTUAL LIFE INSURANCE COMPANY  
DEPT. BA8, HARTFORD, CONN.

Please send, without obligation, booklets on the subjects checked:

<input type="checkbox"/> Partnership life insurance	<input type="checkbox"/> Proprietorship life insurance
<input type="checkbox"/> Close Corporation life insurance	<input type="checkbox"/> Key Man life insurance

Name \_\_\_\_\_

Bank \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_



**DIVIDEND NOTICES** make good reading. They reflect profitable operation in which good management, plants, equipment and production personnel play important parts. But before a company can make a profit or pay a dividend, someone has to buy the product. And in order to sell the product, it must have a market.

Men can be hired, factories can be bought . . . but *markets must be built*. A company's recognition . . . the preference for its products . . . is the result of a consistent, coordinated sales and advertising program.

**McGRAW-HILL**



MORE THAN A MILLION MEN IN BUSINESS AND INDUSTRY

*"The advertising promotional program of a company can have a material effect upon the market status of its outstanding securities. It certainly brings the company to the attention of not only potential purchasers of their products, but also any who might be interested in purchasing their stock for investment. The better known names seem to attract many more people even without the background knowledge of the financial situation, earning ability, or management of the company involved."*



GEORGE R. BOYLES, PRESIDENT, MERCHANTS NATIONAL BANK  
CHICAGO, ILLINOIS

Intelligently planned business magazine advertising can be a strong and effective influence in protecting present markets against competition and developing markets for the future. It also cuts the time factor in personal selling, thus reducing sales costs. And dollars saved in selling costs can contribute just as much to the profit picture as those saved on production.

THAT'S WHY WE SUGGEST: If you have a financial interest or responsibility in a company, you will want to encourage the company's management in the consistent use of adequate business magazine advertising.

## PUBLISHING CO., INC.

330 WEST 42ND STREET, NEW YORK 36, N.Y.

PAY TO READ McGRAW-HILL BUSINESS PUBLICATIONS

*This department is compiled by  
THEODORE FISCHER of BANKING'S  
staff.*

## Cocke Retires; Ould Succeeds

C. FRANCIS COCKE has announced his retirement as president of The First National Exchange Bank of Roanoke, Va., but he will continue as chairman of the board and as a member of the executive and trust committees.

E. H. OULD succeeds him in the presidency.

MR. COCKE is a past president of the Virginia Bankers Association (1948), and was elected president of the American Bankers Association in 1951.

MR. OULD, the new president, is A.B.A. state vice-president for Virginia. He is active in the Virginia Bankers Association and has served on the trust school faculty of the Virginia Bankers Conference.

HERBERT T. KNUTSON has joined the Nashua (N. H.) Trust Company as assistant to the president. He was formerly with Middlesex County National Bank of Everett, Mass. He's an alumnus of The Graduate School of Banking, class of 1955.

JOHN JAMES O'CONNELL, who as "position man" for the First National Bank in Dallas handles millions of dollars daily, was honored at a surprise luncheon in the bank's executive dining room on completion of 50 years with the bank. Guests included his wife, several friends, and visiting bankers.

Baseball fans line up for autographs of Cleveland Indian stars Vic Wertz and Herb Score at opening of new office of Central National Bank of Cleveland



# Heard Along



C. Francis Cocke



E. H. Ould



Edward Damstra



Harold J. Marshall

LESTER V. BAILEY, formerly national bank examiner in the Twelfth Federal Reserve District, has been promoted to chief national bank examiner of the Sixth Federal Reserve District, with headquarters in Atlanta, Ga. He succeeds ALFRED P. LEYBURN, who retired July 31.

Three tellers at Society for Savings, Cleveland, have received awards from the U. S. Treasury Department for their aid in capturing an alleged Savings Bond forger. The three are MISS BOBBIE SCHWARTZ, JOHN EPPICH, and JOHN STURMAN. MISS SCHWARTZ noted that five Series E bonds surrendered for redemption had been tampered with. The name was traced through an account, presumably started for identification purposes. EPPICH saw the suspect in the bank lobby. He signaled for help and STURMAN sent the alarm.

EDWARD DAMSTRA has resigned as cashier of Chicago City Bank & Trust Company to accept the presidency of the newly organized Mid-America National Bank, Chicago. The new bank is to open September 6. MR. DAMSTRA is past president of South Side Bankers Association; past president of Chicago Chapter of the American Institute of Banking; and adviser for the loan division of the Small Business Administration.

## Marshall in New Post

HAROLD J. MARSHALL has been named president of the National Bank of Westchester, White Plains, N. Y., effective September 1. At the same time, his resignation as president of the Manufacturers National Bank of Troy, N. Y., will become effective. RALPH T. TYNER, JR., now president of the Westchester bank, will continue as chairman of the board.

MR. MARSHALL has been active in many capacities in the A.B.A., currently is chairman of the Public Relations Council. He was a member of the first graduating class (1937) of The Graduate School of Banking, and has been a member of the faculty since 1949, instructing in Commercial Banking.

J. H. CHRISTENSEN, a branch manager for Bank of America, has been named a vice-president.

SPENCER L. HART, who had been serving temporarily as president of the Richmond County Bank, Augusta, Ga., has resigned. BARNEY L. JORDON was elected president.

# Main Street



Percy J. Ebbott



Rod Maclean

## Ebbott Retires

PERCY J. EBBOTT, vice-chairman of the board of the Chase Manhattan Bank, New York City, has retired, effective July 31. He will continue as a member of the bank's board of directors and will serve as chairman of the trust advisory board. Mr. EBBOTT had been with the bank and predecessor institutions for 43 years.

Mr. EBBOTT has served as chairman of the clearing house committee of the New York Clearing House and as president of the Association of Reserve City Bankers. He also has been active in the American Bankers Association, the American Institute of Banking, and the New York State Bankers Association.

The SEAMEN'S BANK FOR SAVINGS, New York, is enlarging its 546 Fifth Avenue office to include the adjoining 548 Fifth Avenue. The adjoining property had been purchased when the bank opened this office five years ago in anticipation that just such a move would be necessary. A 3-story building will be built, with completion scheduled for about Christmas of this year.

First National Bank in Madera and First National Bank of Scotia have merged into CROCKER-ANGLO NATIONAL BANK of San Francisco. This makes 54 offices for CROCKER-ANGLO in 35 California communities.

OTERO COUNTY STATE BANK, Alamogordo, N. Mex., is making extensive additions to its quarters, including a conference room, lounge, and drive-in and walk-up windows.

MYRTLE M. HUNT, assistant vice-president of The Bowery Savings Bank, New York, has retired after 29 years with the bank.

## Maclean Joins Agency

ROD MACLEAN, advertising and public relations executive, has resigned from Union Bank & Trust Company, Los Angeles, to become an account executive with Smalley, Levitt & Smith, Inc., Los Angeles advertising agency.

MR. MACLEAN is a past president of the Financial Public Relations Association, and is a winner of numerous awards in his field. He is known, too, as a lecturer, and writer of humorous verse. He has served on the Public Relations Council of the A.B.A.

Merger plans: Franklin Washington Trust Company into NATIONAL NEWARK AND ESSEX BANKING COMPANY, Newark, N. J. The merger would bring to 20 the number of NATIONAL NEWARK offices in Essex County.

E. THAYER BIGELOW was named vice-president, and VERN WALDO was



Fred F. Florence, president of the A.B.A. and of Republic National Bank of Dallas, receives honorary LL. D. degree from Dr. C. Q. Smith, president, Oklahoma City University. Mr. Florence holds a similar degree from Westminster College, Fulton, Mo.

named cashier-comptroller at First National Bank of Nevada, Reno.

The MERCHANTS NATIONAL BANK, Muncie, Ind., held open house to celebrate completion of a remodeling program at its main office.

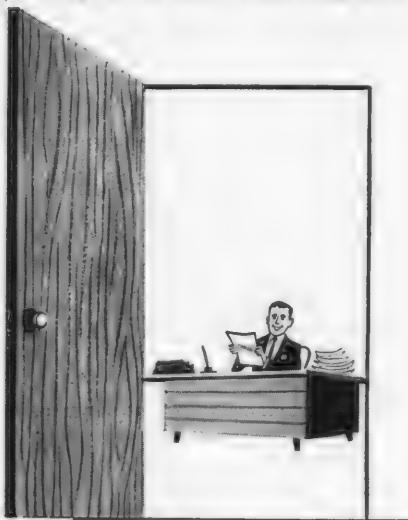
WILLIAM T. HEFFELFINGER, Fiscal Assistant Secretary, U. S. Treasury, is one of 10 recipients of the National Civil Service League's Career Service Awards this year. He began his Government career at the age of 14, as a messenger in the office of the Register of the Treas-

R. M. Long, seated, assistant vice-president in charge of personnel, Valley National Bank, Phoenix, with six school teachers who are taking a five-week course in banking orientation at Valley's home office. The idea is to give high school commercial teachers first-hand knowledge of actual job requirements in modern banking





*"Gets through" to even the busiest executive ...*



*... your business letter on*

# EAGLE-A COUPON BOND

WORLD'S FINEST LETTERHEAD PAPER

Your business letter on Coupon Bond commands attention. The fine texture and distinctive beauty of this famous paper say: "Here's an important letter . . . from an important firm." That's why so many leading organizations in business, banking and accounting are proud to have their letters on Eagle-A Coupon Bond. Your business and personal executive letterheads on Coupon Bond, with envelopes to match, can be supplied by your printer. Ask him for sample sheets.

100% RAG EXTRA NUMBER ONE GRADE



For attractive portfolio of letterheads on Coupon Bond, write Dept. 2,  
**AMERICAN WRITING PAPER CORPORATION • HOLYOKE, MASSACHUSETTS**

*Makers of Eagle-A Bonds, Onion Skins, Ledgers and other fine Business Papers*



Paul Bowles



E. A. Richardson

ury. In 39 years of service, he held increasingly responsible posts and in 1955 he was appointed by the Secretary of the Treasury as Fiscal Assistant Secretary. This is the top career post in the Fiscal Service of the Treasury.

PAUL BOWLES and E. ALDINE RICHARDSON advanced to vice-presidencies at the First National Bank of Atlanta.

JOHN P. MEYER, formerly president of Northwestern Bank and Trust Company, St. Louis, has been elected chairman of the board, and GEORGE A. SPEER, formerly executive vice-president, has been elected president.

HOWARD F. VULTEE has rejoined The Marine Midland Trust Company of New York and the Marine Midland Corporation after a year of service with rank of Minister as director of the Office of Economic Affairs, United States Mission to the North Atlantic Treaty Organization. (CONTINUED ON PAGE 22)

Roger J. Lewis, formerly managing editor of *Commercial West*, weekly magazine of banking and business, Minneapolis, has been named editor. Thomas A. Boright, formerly publisher and editor, continues as publisher. Tom A. Boright, Jr., is associate publisher





*The Desert States*

In the colorful Desert States mankind stands poised on the brink of the future. Here strong men and women first wrested survival from inhospitable soil and rugged mountains. Their sons built flourishing cities, defied the desert to unearth wealth and make wasteland fertile. Today, amid reminders of a storied past, men dynamically use modern techniques in irrigation, mining, agriculture, construction. And in isolated areas daring scientific minds probe the unknown, seeking the face of the future.

The Old Republic companies serve this area, providing the most complete specialized insurance market for financial institutions engaged in diversified instalment credit. Coverages include Credit Life, Accident and Sickness; Automobile Physical Damage, Mobile Home Physical Damage, Credit Loss (on home repair loans), and Time Sales Property Insurance covering instalment credit purchases of home appliances; construction, industrial and agricultural machinery and equipment, and many others.

# Old Republic

*Life Insurance Company* • *Insurance Company*  
Chicago 1, Illinois Greensburg, Pennsylvania



## DO YOU WANT TO SWAP?

In previous copy we have emphasized the added cost of supplying checks bearing printed account numbers to all checking account customers. We have done so in order to influence our bank customers to weigh the added cost against the savings in check processing. At times we have stressed the distinction between actual savings as compared to merely switching labor cost to material cost. In other words... is anything gained by swapping dollars?

It occurs to us that it could be profitable to swap dollars. For example, when we first installed automatic teletyping, we thought we might be swapping dollars because it meant using one operator to cut the paper tape and a second operator to attend the Intertype, instead of one operator to operate the Intertype manually. While we knew we could cast twice as many lines per hour, nevertheless at first glance it looked like an even swap as far as labor cost was concerned. Actually, it wasn't a swap

at all because the savings became very real indeed.

The point is, however, that even if it had proved to be an even swap, we got twice as much output where we needed output and that might be the case with banks who are experiencing bottlenecks in their operating divisions. Perhaps you won't save a dollar if you supply checks with printed names and printed account numbers. It will cost you more to order them and audit deliveries. It will cost you a lot more for the checks themselves. But you certainly will be able to process faster and more accurately, and if that is your problem, then you can afford to trade labor dollars for material dollars.

Should you decide to join the banks who have already made this swap, we offer you the facilities of eight well-equipped plants. We offer you the "know how" of an experienced organization. We will be pleased to provide a professional package at a moderate price.

De Luxe  
CHECK PRINTERS

*Manufacturing Plants at:* CLIFTON, PAOLI, CLEVELAND,  
INDIANAPOLIS, CHICAGO, KANSAS CITY, ST. PAUL, DALLAS

## Customers served faster...and BANKS SAVE TIME and MONEY

WITH MODERN, AUTOMATIC

### Federal DIAL INTERCOMMUNICATION

—the private, inside telephone system that saves miles of walking . . . cuts paperwork . . . enables every executive and employee to do more work per day!

- TRANSMITS data in seconds vs. minutes or hours . . . reduces memo-writing.
- QUICKENS over-all operations . . . your staff functions as a unified, fast-acting team.
- CURTAILS desk-hopping and needless conversation . . . keeps employees on the job.
- UNLOADS your switchboard . . . puts all inter-office calls on a separate dial system.

OPTIONAL features include, Dictation service, Conference service, Executive right-of-way, Paging and Mobile Radio tie-in.

Write for booklet, to Dept. G-5164

**Federal Telephone and Radio Company**  
A Division of  
International Telephone and Telegraph Corporation  
100 KINGSLAND ROAD • CLIFTON, N.J.



"Certified by a World of Research"



Dr. F. Byers Miller



Darrell Cochard

## MAIN STREET (Continued)

ization and European Regional Organizations (USRO) in Paris. MR. VULTEE is an administrative vice-president of the bank and a vice-president of the Corporation.

### Dr. Miller at NABAC

DR. F. BYERS MILLER, dean of the School of Business Administration, University of Richmond, has been appointed executive director of the National Association of Bank Auditors and Comptrollers. DARRELL R. COCHARD, presently executive secretary, was elevated to the new position of executive vice-president. The appointments become effective September 1.

DR. MILLER will assume the administrative duties of NABAC's Chicago headquarters. MR. COCHARD will concentrate on matters of policy and continue his present liaison work with allied associations and the supervisory authorities.

The Hopewell (N.J.) National Bank has become the Hopewell

### SOUTH CAROLINA

Hugh C. Lane, president of Citizens & Southern National Bank of South Carolina, Charleston, is 1956-57 president of the South Carolina Bankers Association



BANKING

branch of the PRINCETON BANK AND TRUST COMPANY.

FIRST NATIONAL TRUST AND SAVINGS BANK of San Diego, Calif., has opened a drive-in branch in a shopping center.

JOHN R. MCGINLEY, vice-president of Marine Midland Trust Company, New York, has accepted appointment as general chairman for the 1956 fund drive for the Travelers Aid Society of New York.

C. ROBERT HUGGINS, former executive director of the Manchester (N.H.) Chamber of Commerce, has been appointed manager of the newly created business-development department at Manchester National Bank and Manchester Savings Bank.

JOHN J. DEVILLARS was elected a vice-president of the Marine Trust Company of Western New York, Buffalo. He had been a vice-president of the Chautauqua National Bank of Jamestown, N. Y.

The SUSSEX TRUST COMPANY of Laurel, Lewes, and Milton, Del., will build a new office at Rehoboth Beach.

J. P. BYRD, JR., former director and senior vice-president of the First National Bank and Trust Co., Tulsa, Okla., was appointed special assistant to the chairman in recognition of his 50th year in banking. He was given a party and presented with a framed memento and a silver tray engraved with signatures of all of his fellow bank directors. The memento was signed by all of the nearly 500 employees of the bank.

The CITIZENS & SOUTHERN BANK of Albany, Ga., has opened a new facility at the U. S. Marine Supply

Edward C. Jones, vice-president, Boardwalk National Bank, Atlantic City, congratulates Mrs. Gladys Rumbarger, eligible for Jean Arnot Reid Award. Looking on is Lilla Mae Smith, also eligible scholastically, but ineligible as a member of the National Association of Bank Women. Only 10 women are eligible in the U. S.



Center. Brig. Gen. Ion M. Bethel, commanding general, cut the ribbon at opening ceremonies.

ROY A. BRITT, president of Citizens National Trust & Savings Bank of Los Angeles, has celebrated his 40th anniversary with the bank.

PEOPLES NATIONAL BANK OF WASHINGTON, Seattle, will soon start work on a new branch. Plans include a parking space for about 65 automobiles.

NORTHWESTERN NATIONAL BANK, Minneapolis, has begun an air-conditioning installation at its building which will be the largest installation ever undertaken in the area.

R. CROSBY KEMPER, JR., executive vice-president of City National Bank & Trust Company, Kansas City, Mo., has been elected to the board of trustees of the University of Kansas City.

UNION NATIONAL BANK of Wichita, Kans., has published a booklet, il-

lustrated in color, as "a grateful acknowledgment to the past" on the occasion of its 50th anniversary.

SAMUEL H. BALLAM, JR., was elected vice-president of Fidelity-Philadelphia Trust Company.

WHITNEY W. MERRILL has been elected an assistant trust officer of the Greenwich (Conn.) Trust Company. He was formerly with the trust departments of Chase Manhattan Bank and the Federation Bank and Trust Company, New York.

WILMOT R. CRAIG has been named vice-president and senior trust officer at Lincoln Rochester Trust Company, Rochester, N. Y. ELLIOT W. GUMAER became vice-president and trust officer; ROBERT E. PLATT and THOMAS J. SERCU were elected trust officers. Messrs. CRAIG, GUMAER, and PLATT are all alumni of The Graduate School of Banking.

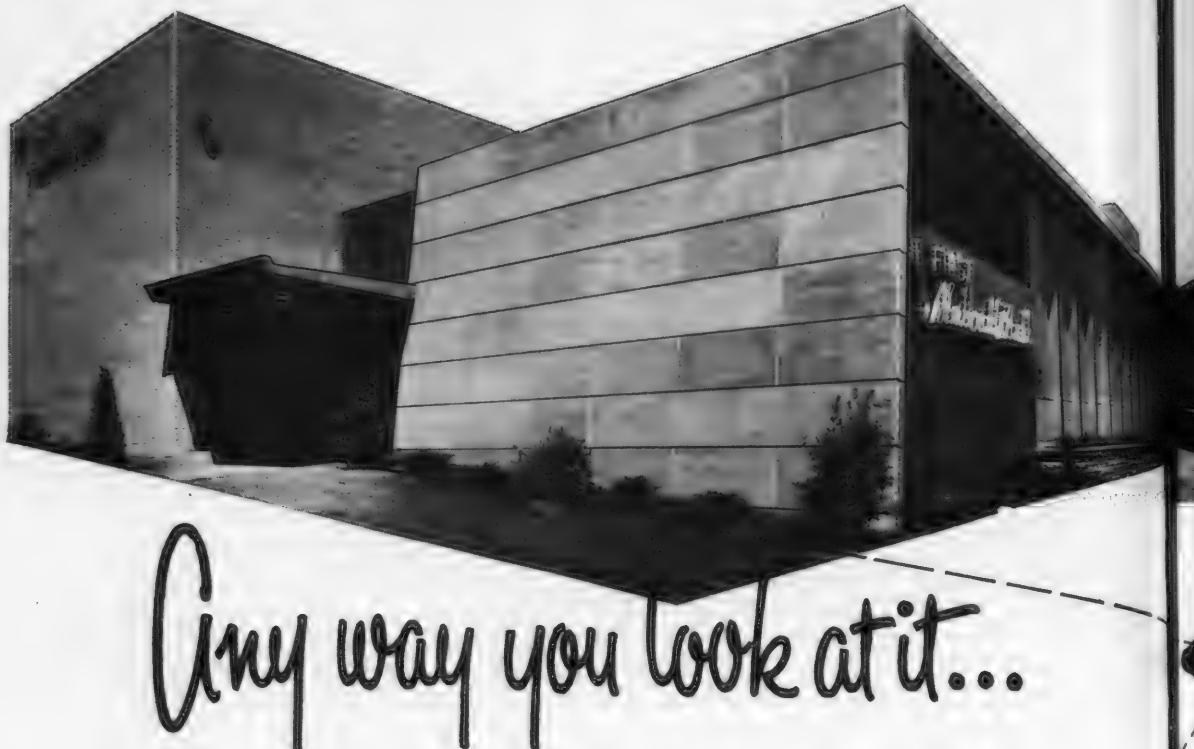
FIRST WESTERN BANK AND TRUST COMPANY has received approval for the establishment of six new banking offices in San Francisco, Sacramento, Fresno, Bakersfield, Fullerton, and Sanger. The bank presently has 79 offices in 61 communities.

Two New York City bankers and one investment banker have been appointed to the Columbia College Council. They are ROWLAND H. GEORGE, a partner in the investment banking firm of Wood Struthers and Company; FREDERICK E. HASLER, chairman of the advisory board of the 30 Broad Street branch of the Chemical Bank and Trust Company;

(CONTINUED ON PAGE 26)



Isaac B. Grainger, pres., Chemical Corn Exchange Bank, New York, presents \$500 each to Rose Lee Wing, note teller, and Arthur Hampton, porter, who thwarted holdup at bank's office in Corona, N. Y.



*Any way you look at it...*

**this old town's bank was designed to  
attract and serve more new business!**

Back in 1793 Cape Girardeau, Missouri, took its name from a French fur trader named Girardot. But today "Cape" serves a far broader kind of trade . . . farming, stock raising and industry in the rich Mississippi valley region surrounding it. And now, this city of 20,000 has a bank unusually well equipped to handle this enlarged area of trade and expand with it. Inside and out . . . *any way you look at it* . . . this bank's new quarters were planned and designed for efficient operation and the ability to attract more new customers. The main bank lobby is streamlined to take peak business loads with minimum confusion. Engineered back counters and departmental layout permit fast work flow. Customer traffic moves smoothly with sidewalk entrances on two sides, and the back area devoted to drive-in windows with an expansive adjoining parking lot. This bank was planned *throughout* for successful operation . . . today . . . and with an eye for future expansion tomorrow. Why not talk over your plans with one of our consultants now?

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OF  
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**MAIN STREET (Continued)**

and LEONARD T. SCULLY, vice-president of U. S. Trust Company. MR. SCULLY is the only one who's an alumnus of Columbia.

The XENIA (Ohio) NATIONAL BANK is now doing business in its fine new building. It is of Williamsburg Colonial design with two drive-in windows and a parking area for 35 cars. There are 14 teller windows, compared with five in the old bank.

BARTOW B. SEYMOUR has retired as vice-president of National Bank of Westchester, White Plains, N. Y. He was manager of the bank's office in Peekskill.

The FIRST STATE BANK, Norton, Kans., held formal opening of a new parking lot. It already had a drive-in, the first in northwest Kansas. Completion of improvements to the bank lobby has also been announced.

HARRY L. HAULMAN has been named vice-president and lending officer of The Michigan Bank, Detroit. He was formerly with the Michigan National Bank, Saginaw.

THEODORE A. DAVIS, JR., has been elected chief executive officer and chairman of the board of the new Miami (Fla.) National Bank, which is to open about August 15.

FRANK C. BATTEY advanced to vice-president at Trust Company of Georgia, Atlanta.



George Wilkin, Jr.



James J. Saxon

GEORGE E. WILKIN, JR., petroleum engineer, has joined the trust department of the Republic National Bank of Dallas. He will head the new oil division of the trust department, established to permit specialized handling of estates and trusts whose assets include petroleum interests.

JAMES J. SAXON, assistant general counsel of the American Bankers Association, has joined the First National Bank of Chicago as an attorney in the bank's law department. MR. SAXON had extensive experience in various governmental departments before joining the American Bankers Association in 1953. During the early stages of World War II he was with the U. S. Treasury Department, serving as Treasury Attaché to the U. S. High Commissioner in the Philippines, and was on special assignments in Puerto Rico and North Africa. He was later assistant to Secretary of the Treasury John M. Snyder.

LEIGHTON DONAHUE, manager of the savings department of Mercantile Trust Company, St. Louis, has retired after almost 50 years with the bank.

Officers, Class of 1956, The Graduate School of Banking: *left to right, class secretary, Kenneth L. Birchby, auditor, Jamaica (N. Y.) Savings Bank; president, James R. Austin, assistant vice-president, The Peoples Bank, Roxboro, N. C.; member, board of regents, 3-year term, Vincent C. Ambrose, president, Winchester (Mass.) Trust Company*





E. Herrick Low



Ernest Williams



John S. Howe



J. S. Garrison

**E. HERRICK LOW**, formerly executive vice-president of the Chemical Corn Exchange Bank, New York, has joined First Western Bank and Trust Company, San Francisco, as a director and was named vice-chairman of the board.

**ERNEST WILLIAMS**, formerly treasurer of the University of Alabama, has joined the First National Bank of Tuscaloosa, Tuscaloosa, Ala., as a vice-president.

**ROBERT E. RICHARDSON, JR.**, assistant vice-president of National Bank of Westchester, White Plains, N. Y., has been named manager of the bank's office in Peekskill, N. Y. He has been an A.I.B. instructor and is presently enrolled in The Graduate School of Banking.

**JOHN L. DUGAN, JR.**, has been elected assistant to the president of the Grace National Bank, New York City.

**J. CARLISLE ROGERS**, president of the First National Bank of Leesburg, Fla., has been elected chairman of the board of Golden Gift, Inc., a citrus juice company in De Land and Custis, Fla.

**ROBERT L. DAVENPORT**, vice-president of Valley National Bank, Phoenix, Ariz., has resigned to give full time to personal business projects. He entered banking with the Republic National Bank in Dallas. At Valley Bank he established the business development department. **MR. DAVENPORT** is president, vice-president, or director of several companies.

**KENNETH A. WALES** has been named public relations director of the Minnesota Bankers Association, succeeding **DONALD LESTER WAAGE**, who is now staff assistant in the department of taxation and finance of the United States Chamber of Commerce in Washington, D. C.

The **JENKINTOWN (Pa.) BANK & TRUST COMPANY** has awarded the contract for construction of its Jenkintown station commuters' branch. It will be open during those hours when commuter traffic is heaviest.

The **CITIZENS' NATIONAL BANK** of Linton, Ind., has completed an exterior overhauling. A glass exterior which was put on in 1945 refused to stay put, and was removed and replaced with Indiana limestone. A marquee was added, a 24-hour depository, and a 4-faced chime clock which strikes every quarter-hour.

**HIBERNIA NATIONAL BANK** in New Orleans is holding in mid-August a "country fair." One was held two years ago with great success. It's sort of a hobby show combined with photo exhibits, cooking, flowers, art, handicrafts, needlework. Winners appear on TV the following day.

**MARINE TRUST COMPANY OF WESTERN NEW YORK**, Buffalo, has announced a competition for artists of nine New York counties for a painting for use as the bank's Christmas card. First prize, \$250, will be a purchase prize including reproduction rights. With 10 other awards, prize money totals \$625. The 11 winning paintings will be displayed in the bank's offices throughout the Christmas season.

**KENNETH P. WRIGHT** has been named president of the Deep River (Conn.) Savings Bank, succeeding the late **HARRY B. L. MARVIN**. **ALBERT K. MILLER** was elected executive vice-president and treasurer and will continue as active head of the bank. **E. LEA MARSH, JR.**, was named

Bank of California, N.A., Portland, Oreg., entered this flower-decked float in Portland's 48th annual Rose Festival. More than 375,000 watched the parade



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ANSWERS IN SECONDS!

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vice-president; MARSHALL P. PELTON, secretary.

President GEORGE H. WOODS was elected chairman of the board of People's Savings Bank, Bridgeport, Conn. SAMUEL W. HAWLEY was elected to succeed him as president and chief executive officer. GEORGE B. LONGSTRETH became vice-president; EDWARD M. FREDA, assistant vice-president.

WALTER J. HEDDESHEIMER advanced to counsel and officer in charge of the law department of Central National Bank of Cleveland. He succeeds W. T. SMITH, retired.

C. D. BAILLIE, NEIL R. CAMPBELL, BEN CHAFFEY, PAUL E. UHL, JR., J. R. VAN DER ZEE, ROBERT E. WILLIAMS, and VICTOR H. WINFREY were elected vice-presidents of California Bank, Los Angeles. C. F. SCHWAN became cashier.

### Arthur M. Mueller

ARTHUR M. MUELLER, vice-president in charge of business development, public relations, and advertising, at the Trust Company of New Jersey, Jersey City, died suddenly of a heart attack at his home on July 12. He was 55. He was talking to an old friend, a doctor, at the time of the attack.

MR. MUELLER was a past president of the New Jersey Bankers Association, was active for years in the American Institute of Banking, and held many financial, civic, and fraternal posts in New Jersey.

(CONTINUED ON PAGE 30)

Arthur M. Mueller



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You can assure her that her home is safe—the mortgage has been paid in full. There is no danger of a double tragedy for her—no possibility of injurious community relations for you. Federal's Mortgage Redemption Plan protects both the customer and the bank. Customers like Federal's Plan because the low, low cost is simply included in their monthly mortgage payment. Bankers like Federal's Plan for its simplicity and freedom from burdensome detail. Write today for complete information.

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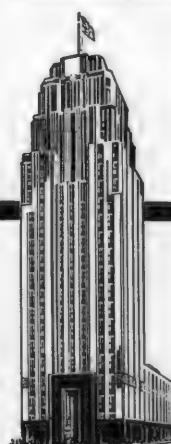
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Vice President and Manager  
Credit Insurance Division

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## MAIN STREET (Continued)

OSCAR THORUP, manager of the bank department at the New York sales office of Remington Rand Division of Sperry Rand, has retired after 39 years with the company to become solicitor for the trust department of Suburban Trust Company, Silver Spring, Md.

The ROCHESTER (N.Y.) SAVINGS BANK has published a souvenir booklet to mark its 125th anniversary. A center gatefold contains the semi-annual statement of condition.

ALLEN V. HENDRICK and M. A. HERBERT, branch managers of Security Trust & Savings Bank of San Diego, have been elected vice-presidents.

THOMAS O. HUNTER, attorney, has joined the Commercial National Bank of Peoria, Ill., as a trust officer.

### Jackson S. Hutto

JACKSON S. HUTTO, 51, managing director of the Savings Banks Association of the State of New York, died suddenly on June 24. He was former Superintendent of Banks in New York State. He had been deputy superintendent and general counsel of the department and in 1942 was appointed superintendent by Gov. Herbert H. Lehman. He returned to private law practice the following year and later joined the trust department of Guaranty Trust Company. He joined the Savings Banks Association in 1955.

Jackson S. Hutto



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SOMETHING as easy to do as having your checks printed on Hammermill Safety paper can have a positive effect on your public relations. Every time a customer writes a check, the Hammermill surface mark is there to remind him that you're overlooking nothing to make your banking services completely satisfactory. Hammermill is the best-known name in paper.

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Next time you order checks, ask to have them printed on the safety paper that costs you nothing extra, but gives you so much more. Ask your printer or bank lithographer for checks on Hammermill Safety paper. Hammermill Paper Company, Safety Paper Division, Erie, Pa.

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ERIE, PENNSYLVANIA



## Edward F. James

EDWARD F. JAMES, 51, treasurer of Fidelity-Philadelphia Trust Company and first vice-president of the National Association of Bank Auditors and Comptrollers, died suddenly on June 25. He was stricken with a heart attack while on his way to the office.

MR. JAMES joined the bank in 1921 as a messenger. He had been active in NABAC for over 20 years.

HERBERT J. DICKSON, J. A. HALL, III, and ARTHUR C. RAY advanced to vice-presidencies at the Citizens & Southern National Bank, Atlanta.

ROBERT E. WILSON, SR., president of Osborne Trust Company, East Hampton, N. Y., was the subject of a feature in the local paper recently. He has gained somewhat of note from his after-hours hobby. He makes tile-topped tables. Many are done from bathroom tiles, but almost every one has a couple of individualized tiles appropriate to the family which is to get the table.

The BRYN MAWR (Pa.) TRUST COMPANY has completely air-conditioned its main office.

Hundreds of friends from all over Missouri gathered to honor WALTER E. CARTER, president of the Bank of Carthage, Mo., on his 50th anniversary in banking. A highlight of the event was the presentation of a certificate making him a member of the 50-year club of the Missouri Bankers Association. MBA President JAMES F. MACK, vice-

(CONTINUED ON PAGE 136)



this wall-to-wall carpeting covers the source of a multitude of benefits . . .

## STANLEY *Magic Door Controls*

Concealed beneath the decorative wall-to-wall carpeting of this recently remodeled bank in Meriden, Conn., a Stanley Magic Carpet Control opens and closes entrance doors for visitors . . . silently, smoothly, automatically. Vice-President Milton Tichy says, "Customer reaction has been highly favorable. Now, our lady patrons can enter easily even with baby carriages and bulky bundles. We've improved our building appearance and customer service."

Walter E. Hyneck, Assistant Secretary, adds, "Our Stanley Magic Door Controls conserve conditioned air . . . and maintenance is so simple we perform it ourselves."

An added feature is the use of STANLEY STAN-GUARDS, plastisol strips that completely cover the hinged sides of the door, make it impossible for careless fingers to be injured.

Mail the coupon to learn how Magic Door Controls can benefit your bank and customers.



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THE STANLEY WORKS, MAGIC DOOR DIVISION  
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Please send me complete information on Magic Door Controls and Stan-Guards for bank installations.  
 Please have your representative call.

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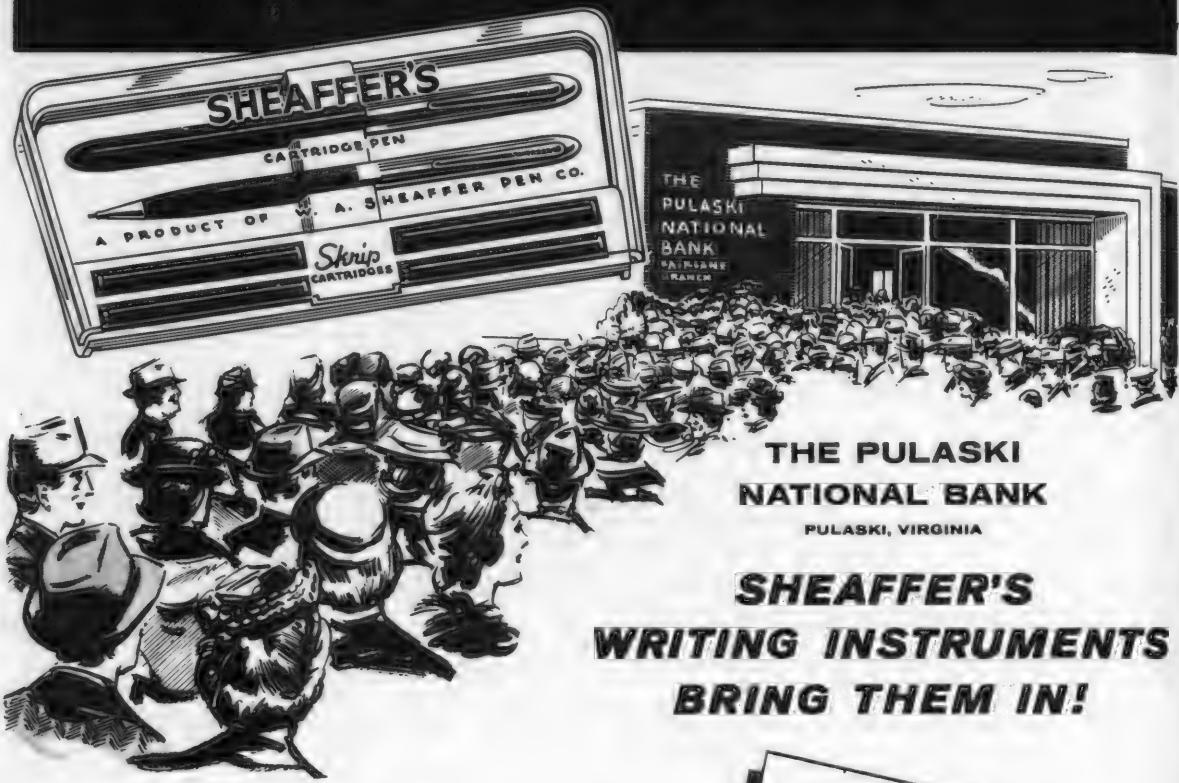
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The success of this Pulaski offer can be matched by your own "new-depositor drive." Sheaffer writing instruments, in a wide range of prices, are powerful incentives, wanted by all, valued highly. Their tremendous appeal is being proved over and over again by leaders in your field. Most important, in giving genuine Sheaffers, you build long-lived good will worth far more to your business than the cost of the gift.

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Please rush your list of writing instruments, prices, and complete details on how to plan a "New-Depositor Drive" for my bank. This request does not obligate me, or my bank, in any way.

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AUGUST 1956

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

# The OUTLOOK and CONDITION OF BUSINESS

## *How Bankers Feel About Business*

THE level of business activity in the United States during the rest of 1956 will be significantly affected by the countrywide steel strike. In June the Credit Policy Commission of the American Bankers Association conducted its semiannual survey of opinions of more than 100 bankers in important trade areas regarding business and credit conditions, and it was the consensus that if a steel strike should occur, it would be one of the most important factors shaping the course of business. Most bankers believe 1956 will finish close to the peak of the nation's business.

The survey was made under the direction of George S. Moore, chairman of the Commission, who is also executive vice-president of The First National City Bank of New York.

### Business Outlook

As of June, even with a national steel strike possible, there was a general feeling of confidence among bankers in the business outlook for the near future. Their views are summarized as follows:

Under the action of the Federal Reserve Board, the expansion of bank credit has been carefully restrained to help guard against inflationary pressures. Nevertheless, bank credit still has been available for the normal and constructive requirements of business. It is doubt-

ful that there will be any significant easing of these credit reins unless business activity should deteriorate materially.

While there has been some reduction in residential building, over-all construction has demonstrated considerable vitality in the business and public sectors.

Farmers, dependent upon weather and farm prices, have been plagued by drought in certain areas; but an encouraging factor has been the recent upturn of agricultural products.

The automobile industry, after a phenomenal production and sales record last year, needed a breathing spell. However, new models this fall should serve as a stimulant to the industry.

### Inventory Picture

Generally, the inventories of manufacturers appear to be moderately higher at this time. As long as goods are moving at the consumer level, this situation is not considered as a problem.

The inventories of wholesalers also show some tendency to be up slightly. The inventories of retailers are considered to be reasonable in relation to present sales levels, with some lines, however, showing inventories slightly in excess of normal requirements. Inventory problems appear to be confined chiefly

to automobiles, appliances, farm equipment, shoes, and textiles.

### Construction

The over-all picture indicates a high level of construction for the balance of the year.

Construction of 1-to 4-family units should continue to lag behind the 1955 level, although the fewer units are being constructed at higher cost. Commercial and industrial construction should finish out the year at a high level, although it will be affected by the steel strike. Public construction also is increasing.

Various reasons were given for the opinions on construction volume. Unfavorable factors cited were the possibility that a prolonged steel strike would produce a chain reaction on other industries; and the tightness in the supply of certain materials and skilled manpower which would have a limiting effect on construction activity. On the favorable side, it was pointed out that the population increase continues to be a highly dynamic factor in community growth. This has caused an urgent need for an expanding program of expressways and other road improvements, port facilities, schools, hospitals, churches, and sewers. The current surge of industrial expansion has caused an increase in commercial and industrial construction.

Generally, there has been no appreciable change in the low level of housing vacancies. Such vacancies as were reported appeared to be in the less desirable areas or in older houses.

## Credit Demand

The outstanding volume of loans to sales finance companies and for mortgage warehousing should level off during the balance of the year, while other types of commercial loans should increase moderately.

Consumer credit outstandings also should finish 1956 at a slightly higher level. Demand for real estate mortgage loans should continue at about the same pace as in recent months, although some decline in certain areas may be expected. The demand of agricultural loans should continue steady, with a tendency to increase somewhat.

Generally, the level of loans will rise during the last six months of 1956 but not as rapidly as in the same period of 1955. The extent will depend in some degree upon the severity of the steel strike's impact on business conditions.

## Significant Trends

The road building, electronics, machinery, many metal fabricators, and industrial construction appear to be in the midst of a very favorable trend, while the shoe, textile, and jewelry industries are having some problems.

Some bankers have observed that some manufacturers feel obliged to give more and longer datings to their customers. Especially soft spots today are the farm equipment, automobile, and appliance fields.

Loans to carry inventories have increased for the metals and metal products concerns. Garment industry loans also are up, due to higher costs.

## Lending

Little actual evidence exists that banks are losing desirable loans to other types of lenders. Banks today are in a position to compete favorably with other lenders as to both term and rates.

While there was some indication that banks are turning down more loans than a year ago, it was pointed out that this was because the number of applications had increased

and that the banks are now exercising more selectivity in extending bank credit. While following a more selective policy, the reasonable credit requirements of regular customers are not being neglected. This selective policy has resulted in the upgrading of credits and the discouraging of applications for speculative and nonproductive purposes.

Closer scrutiny is being given to loans to sales finance companies, loans for plant expansion, loans to small business for semicapital purposes, and loans to new customers where long-term relations were not established. This does not mean that credit is being denied, but rather that careful attention is being given to the protection of both the bank and the borrower.

## Credit Problems

No great concern was manifested with respect to specific credit problems, although loans to dealers in farm equipment, appliances, and automobiles were also being watched more closely. Loans to marginal and poorly managed small business firms were also reported as potential credit problems.

Collections on various types of bank loans appear to be well controlled, with a minimum of delinquencies. Here and there some slight increase was mentioned, but generally the situation is satisfactory. More timely and effective collection methods, however, were considered essential.

## Interest Rates

Interest rates on commercial loans generally should continue firm for the balance of the year, with perhaps a moderate increase in some types of loans or geographic areas, although the trend obviously will be governed by the direction of Federal Reserve policy. The rates on consumer credit loans should continue steady, with some minor adjustments upward in areas where they did not occur earlier this year. Rates on real estate mortgages may show some tendency toward firmness, depending upon local competitive factors. No appreciable change in rates on agricultural loans is foreseen.

Here are highlights on conditions in the 12 Federal Reserve Districts, as noted in the reports to the Commission.

## Boston District (1)

**Business Outlook**—The generally expected pattern of a weaker third quarter, probably more than seasonally lower, followed by some recovery in the fourth quarter, seems reasonable in this Federal Reserve District. The extent of the dip, plus the pace of auto sales for the 1957 models, will likely determine whether the recovery will come early or late in the final quarter, as well as its scope. A prolonged steel strike would change this pattern, probably helping business in the fourth quarter by spreading out demand.

For electronics and some defense contractors, the next half appears bright and likely to be a period of expansion. Shoes and textiles seem likely to soften a bit, the former due to over-production and the latter to import competition in the case of cotton fabrics and to slack retail trade in the case of wool goods. Paper may be a bit less active due to the heavy production of the first half, while plastics probably will expand moderately.

Inventories of all levels are tending toward the high side.

**Credit Demand**—The expectation with respect to the trend:

**Commercial loans**—On loans to sales finance companies, little if any expansion is expected, although demand is likely to be greater.

On mortgage warehousing loans, greater reluctance will mean no increase, and some say a reduction.

On other commercial loans demand is likely to be well maintained, but any increase will probably be small, contingent upon no extended steel strike and revival of auto sales in fourth quarter.

**Consumer credit loans**—Third quarter is likely to be seasonally lower, while heavy repayments will support some expansion in fourth quarter, with total at end of period only moderately above the present.

**Real estate loans**—Activity in non-residential building will mean somewhat higher demand, but, with funds limited for this type of loans, total is not likely to go appreciably higher.

**Agricultural loans**—Any increases will be small.

## New York District (2)

**Business Outlook**—In general, the outlook for the last six months of 1956 is for a continuing high level of business in the nation as a whole

and in this Federal Reserve District. No large increase in business activity is foreseen and no spiraling down. Some respondents expect production to dip slightly in the third quarter, with a return to present levels in the fourth. One respondent anticipates that inventory liquidation will hold output below current levels even in the fourth quarter.

With business prospects less favorable than in the second half of 1955, credit policy should be somewhat less restrictive than during the second quarter of this year. The slack in the economy is chiefly in the areas of consumer durable goods, homebuilding and inventories, areas where loan demands have been strong. Consequently, the outlook suggests less pressure of demand.

**Credit Demand**—The outlook:

**Commercial loans**—Either a moderate decrease or a leveling off is the most general expectation for loans to sales finance companies. Only one respondent expects a sizable increase.

Again the majority sees some decline or a leveling off on mortgage warehousing loans, with two respondents expecting only slight increases.

Other commercial loans are expected to rise seasonally, although some inventory liquidation will probably hold the seasonal increase down.

**Consumer credit loans**—Opinions range from a slight decrease to a 10% increase, majority expecting a leveling off or a moderate rise.

**Real estate loans**—Out-of-town banks expect these loans to continue at a high level and one even anticipates a 10% increase, while New York City banks report that real estate loans will probably level off or even decline.

**Agricultural loans**—Most respondents have none or very few of these loans; an out-of-town respondent anticipates an 8% increase, and one New York City respondent points out the possibility of an offering of CCC certificates of indebtedness (which are counted as agricultural loans).

### Philadelphia District (3)

**Business Outlook**—Outlook for the principal industries in this Federal Reserve District and business conditions generally for the last six months of 1956 are good. Some indicate that the third quarter might

not be so good but that there will be considerable improvement in the fourth quarter. It was held reasonable to expect business to remain at present levels. Industry is well diversified, new industries are moving into the area, and retailers are maintaining satisfactory volume.

Throughout this area it is believed that the credit situation is quite satisfactory and that credit demand will be readily taken care of by banking institutions. Industries are well diversified and appear to be maintaining satisfactory volume on a profitable basis. Employment is good, and retailers should have no great difficulty in maintaining a satisfactory volume at a profit.

**Credit Demand**—The outlook:

**Commercial loans**—On loans to sales finance companies and those for mortgage warehousing, the general feeling is that the volume will be slightly higher.

While there is some division of opinion as to the volume on other commercial loans, the majority expect volume to remain at the present level or to increase slightly.

**Consumer credit loans**—The trend should remain about the same or increase moderately.

**Real estate loans**—With only one dissenting opinion, it was felt that the trend would be slightly down.

**Agricultural loans**—Generally it was felt that the volume would be steady on this type of loan.

### Cleveland District (4)

**Business Outlook**—The outlook for the principal industries and for business conditions generally in this Federal Reserve District for the last six months of 1956 is good.

The participating bankers find that business has been fairly level thus far this year, with weakness in autos, auto parts, residential construction, and some appliance lines, offset, however, by strength in non-residential construction, machine tools, steel, and new products.

Over-all production could ease in the third quarter due to some inventory liquidation. But a good fourth quarter is expected as a result of new automobile models.

**Credit Demand**—The expectation with respect to the trend of bank loans in this District for the last six months of 1956 as compared with present levels is as follows:

**Commercial loans**—A difference

of opinion exists in connection with loans to sales finance companies, with some bankers expecting a decrease in volume, some an increase, others no change. The composite view is that there will be little change. This is likewise true as to mortgage warehousing loans.

As to other commercial loans a firm to moderately rising trend in volume of loans is expected.

**Consumer credit loans**—A rising trend.

**Real estate loans**—A moderate increase.

**Agricultural loans**—Just small changes are anticipated, dictated by seasonal considerations.

### Richmond District (5)

**Business Outlook**—The outlook for the principal industries in this Federal Reserve District, and for business conditions generally, for the last six months of 1956 is considered as good. This period should be equal to or better than 1955, with the possible exception of home building, automobile sales, and cotton textiles in the North Carolina area.

Heavy demand for commercial and industrial loans is expected in the Winston-Salem, North Carolina, area; while around Asheville, N. C., borrowers want longer terms.

**Credit Demand**—The expected trend of bank loans:

**Commercial loans**—On loans to sales finance companies and those for mortgage warehousing it is expected that the volume will be from slightly above to slightly below present levels.

On other commercial loans, a very small reduction is looked for, with a slight rise in the upper Virginia and Washington, D. C., area.

**Consumer credit loans**—The volume should increase slightly.

**Real estate loans**—No material change.

**Agricultural loans**—Those reporting on agricultural loans feel that the volume in North Carolina will probably be better than last year and in Maryland very little change.

### Atlanta District (6)

**Business Outlook**—It is expected that the outlook for the principal industries in this Federal Reserve District and business conditions generally for the last six months of

(CONTINUED ON PAGE 175)

# Washington

THE was a big boost last month for the proposal that Federal bank supervisory officials, rather than agencies unfamiliar with banking problems, be given the power to weigh and decide upon the competitive aspects involved in prospective bank mergers.

The Senate Banking Committee voted to report favorably the bill introduced by its chairman, Senator J. William Fulbright (D., Ark.). This bill is a counter to the Celler measure, twice passed by the House, which in effect would give the Department of Justice the veto power over bank mergers achieved by the acquisition of assets. Thus this supervision would be divided between supervisory agencies and the Department of Justice.

The Senate Banking Committee held hearings also on the Fulbright bill, going over some of the ground that was covered previously before the monopoly subcommittee of the Senate Judiciary Committee.

## Bill Explained

An A.B.A. spokesman, however, gave a condensed explanation of the Fulbright bill and how it would work. He is Lee P. Miller, chairman of the A.B.A. Federal Legislative Committee. Mr. Miller is president of the Citizens Fidelity Bank and Trust Company of Louisville, Ky. Mr. Miller said:

He's running again—and plans to conduct a "vigorous" campaign



UNITED PRESS

## LAWRENCE STAFFORD

"Specifically, this bill would amend Section 18(c) of the Federal Deposit Insurance Act (1) to require the prior written consent of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the Comptroller of the Currency, as the case may be, of any merger, consolidation, or assumption transaction; (2) to require the Comptroller, the Board, or the Corporation, as the case may be, in granting or withholding consent, to consider the factors enumerated in Section 6 of the Federal Deposit Insurance Act, including the financial history and condition of the bank, the adequacy of its capital structure, its future earning prospects, the general character of its management, and the convenience and needs of the community to be served by the bank; (3) to require, in addition, that the appropriate agency consider whether the effect of any merger, consolidation, acquisition of assets, or assumption of liabilities, may be to lessen competition unduly or to tend unduly to create a monopoly, and in the interest of uniform standards with respect to the competitive aspects of any such proposed transaction, to require that each banking agency shall consult with each

of the other two Federal banking agencies before taking any action; and (4) to authorize the appropriate banking agency to request the opinion of the Attorney General with respect to the competitive aspects of any such proposed transaction.

"This proposed legislation would, therefore, write into the banking laws an express competitive test which the banking agencies would be required to apply uniformly, in conjunction with the tests enumerated under Section 6 of the Federal Deposit Insurance Act, as set forth above, in determining whether to grant or withhold approval of any proposed bank merger, consolidation, or assumption transaction, and would also authorize the appropriate Federal bank supervisory agency to consult with the Attorney General with respect to the competitive aspects of any such transaction."

## Holding Company Precedent

Mr. Miller further drove home the point to the Senate Banking Committee that only shortly before, in passing the Holding Company Act of 1956, the Congress had selected a Federal bank supervisory agency, the Federal Reserve Board, to pass on the competitive aspects of this broad statute.

Furthermore, the A.B.A. spokesman observed that "in no other regulated industry does competition exist in numbers and in intensity to the degree it exists in the banking industry." He also pointed out that banking already is a closely regulated industry.

"It is doubtful that any industry today is as closely regulated and supervised as the banking industry," he stated. He then related the details, so familiar to commercial bankers but unfamiliar to others, as to the broad, enveloping nature of bank regulation.

## New Bill Planned

At writing, the monopoly subcommittee was reported to be intending to redraft the premerger

notification bill. This was the bill which, as passed by the House, required that parties to a prospective merger, including banks, must submit a notification of the merger intent to the antitrust officials 90 days in advance of its completion. During that period the antitrust officials could call for any relevant information about the prospective merger and if they disapproved it, seek to enjoin its completion through the courts.

It was also stated that the antitrust subcommittee intended to incorporate the Celler anti-bank-merger bill as part of the merger pre-notification bill, the same as was done by the House. The House also passed the Celler anti-bank-merger separately as well as making it a part of the prenotification bill.

#### Procedure

Should the monopoly subcommittee recommend to the full committee a premerger notification bill with the anti-bank-merger bill attached, then the next question would be whether the full committee would also report out such a proposition and in what form, or whether it, if reporting any bill, would drop the Celler anti-merger provisions.

There was the possibility meanwhile that the Senate would first act on the Fulbright bill. That presumably would resolve the conflict of jurisdiction on bank antitrust legislation in favor of the Fulbright bill and the Banking Committee.

These are questions or possibilities which may have been resolved between writing and publication dates.

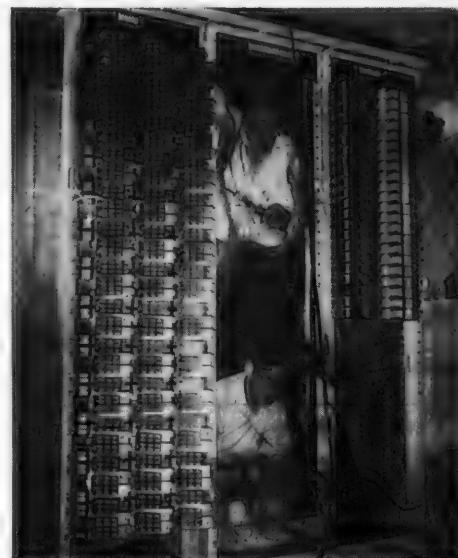
In any event, should no special anti-bank-merger bill finally pass this session of Congress, many observers believe that the subject would remain alive in the 1957 session. The subject has the momentum of a recommendation for legislation thereon by President Eisenhower and the fact that the House has twice voted in favor of the Celler anti-bank-merger bill.

#### Justice Department Compromise

In the course of the Banking Committee hearings, Stanley N. Barnes, then chief of the Justice Department antitrust division, offered what he said was a "compromise." He was willing, he said, to agree to let the bank supervisory

◊  
At Chicago, miles of wire and thousands of circuit breakers have been installed at the International Amphitheater in preparation for the Democratic National Convention. The equipment, custom-built, is for press, radio, and television coverage

◊



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agencies approve a bank merger even though the Department of Justice had disapproved it.

This was not evaluated as much of a "compromise." In the first place, the Justice Department would still, in effect, share jurisdiction. In the second place, it would be a hardy group of bank-share investors who would go ahead with a prospective merger approved by the bank supervisory officials against the express disapproval of the Department of Justice, and hence risk an antitrust action by the latter.

#### Share Voting Change Revives

It may be that by now the fate of the "cumulative voting bill" already has been determined. However, at writing, this bill suddenly got a revival and had a good chance for passage. Committee sources only a few weeks ago had indicated, as reported last month in BANKING, that the bill was dead, because of the opposition of two members of the committee and the necessity of getting a special rule to take up the bill in the face of that opposition.

This measure does away with the present provision of law requiring national banks to use the cumulative voting method in selecting bank directors. Under the bill, if it becomes law, banks if they desire may amend their charters to adopt the ordinary method of voting bank shares, while those who wish to, may continue to use the cumulative voting method.

What brought the bill to life was

the fact that many banks let their Congressmen know how they felt about the measure. There was considerable writing to Washington on this subject which indicates that it is often useful for banks to take the time to let their Congressmen know their problems and wants.

#### Holding Company Act Administration

It may work out, it is reported, that the first business the Federal Reserve Board will have under the new Spence-Robertson Bank Holding Company Act will be an application to approve new banks to be established by existing bank holding companies. No formal applications of this sort, however, had officially come to the board, but were reported to be under consideration.

Under the act, the bank holding company which wishes to establish a new bank in the state in which it operates, must obtain the approval of the Reserve Board, just as if it were seeking to buy an interest in an existing bank. However, before this issue comes to the Board the state bank supervisory agency must approve the charter of the new bank, if it is to become a state bank, or the Comptroller of the Currency, if the new bank is to be a national bank.

The Board is well on the way to completing (if this has not already occurred by now) its basic Regulation Y, for spelling out the administration of the bank holding company act. Meantime, two other basic forms are on the way. One

of these is the application form for permission to buy an interest in an existing bank. The other is the form for application for permission of a company to become a bank holding company.

Officials believe it probably will

be well into fall before the Board actually handles any appreciable business under the new act.

### Supports Supervisory Official Pay Rise

Pay raises for the chairman and

members of the Federal Reserve Board, the Comptroller of the Currency, and the members of the Federal Deposit Insurance Corp. were supported by the A.B.A. in a hearing before the Senate Post Office and Civil Service Committee.

## Have We Enough Gold?

THE fact that for more than three years gold has been leaving the United States is a source of concern to some people. During these years the U. S. has been buying newly mined domestic gold. In addition, gold imports have added to our supply. But these accretions have been more than outweighed by the amount of gold newly earmarked here for foreign account, taking the period as a whole.

At the end of 1949 our total gold stock was about \$24.6-billion. During 1950 our net loss of gold was \$1.7-billion. At the end of 1952, following a moderate net inflow, the total stood at about \$23.3-billion, which is where our story begins. In 1953 the stock experienced a net reduction of \$1.2-billion. In 1954 we lost \$297,000,000 more, and in 1955, \$41,000,000. In the first quarter of 1956, despite continued earmarkings for foreigners, there was a net increase in the gold stock of \$12,000,000. The changes of the past three years may be traced in the table below.

TO a large degree the outside world has been financed, directly or indirectly, in the acquisition of gold and dollars by the various foreign aid programs undertaken by the U. S. Also, the world has been earning dollars due to our prosperity-born demand for raw materials and the like. While the Congress apparently finds persuasive the arguments for continuing foreign economic and military aid year after year, some Americans point to the increased foreign holdings of gold

and dollars as a reason for discontinuing foreign aid. They argue that the gold figures not only show the lack of need for continued handouts, but also threaten our own financial stability.

THUS, the American Institute for Economic Research wrote in January of the "huge demand claim of foreign governments and central banks on the nation's gold reserves," which it likened to a sword of Damocles hanging over the U. S. economy. "We should expect," it added, "large withdrawals of gold in the event of marked economic disturbances in the U. S., such as a rapid downturn of security prices or business activity. In that event, the pressure on bank reserves could well become critical. The New York banks, in particular, might be forced to liquidate Government securities instead of buying them, with resulting further deflationary effects. . . ."

The London *Financial Times* last September discussed the changed U. S. relations with the rest of the world on short-term capital account, observing that, if the trend continues, U. S. foreign commitments might exceed gold and foreign-exchange assets much as Britain's sterling-balances liabilities exceeded the sterling area's gold and dollar holdings. The net U. S. reserve position could well become a deficit in the early 1960s if recent trends continue, the paper predicted—a matter of potential embarrassment. Since the basic factors behind the deterioration of the U. S. position

have been foreign investment by Americans and foreign aid, the newspaper considered it possible that the U. S. Administration would tend to become rather less generous with foreign aid.

Events have shown that the *Financial Times* conjecture is not applicable to 1956. The Eisenhower Administration does not view the gold situation with perceptible concern. Admittedly, foreigners hold—in the U. S.—short-term assets of more than \$13-billion. And they owe us on short-term account only \$1.4-billion. In theory, therefore, we could face a \$12-billion run on our gold.

SPACE limits prevent a detailed exploration of the situation and the various arguments being heard pro and con. Earlier this year the Institute of International Finance, New York University, published a study which sounded a note of reassurance. The amount of gold the U. S. might lose in any one year would hardly be more than a fraction of the country's short-term debt to foreigners, the NYU study stated, for the world needs substantial minimum working balances here. If need arises, moreover, the Congress can change the minimum gold requirements applying to the Federal Reserve banks, as was done in 1945. In view of the strength of the dollar, a run for gold can hardly be envisaged, the authors added.

THE Federal Reserve Board also can reduce member bank reserve requirements. If they did that to the minimum now permitted, they would increase demand and time deposits in the nation by about \$98-billion, which step of itself would adequately take care of foreseeable requirements of our economy.

The varied views cited above show that the U. S. gold stock is being watched with interest both at home and abroad.

HERBERT BRATTER

Total U. S. gold stock at end of	(In billions of dollars)	Increase or decrease (-)	Net import or export (-) (in millions of dollars)	Earmarked gold: de- crease or increase (-)	U. S. mine production
1952	23.3	379.8	684.3	— 304.8	67.4
1953	22.1	-1,161.9	2.2	-1,170.8	69.0
1954	21.8	—	297.2	— 325.2	65.1
1955	21.8	—	40.9	— 132.4	66.2
1956 (Mar.)	21.8		12.3	— 26.8	14.4

SOURCE: *Federal Reserve Bulletin*, May 1956.

The Association's spokesman was one of its former presidents, Robert V. Fleming, chairman of the board of the Riggs National Bank of Washington, D. C. He also addressed the committee as president of the Federal Advisory Council to the Board of Governors.

The committee belatedly last month took up the executive pay raise bill passed by the House in 1955, the delay being due to a heavy volume of legislation affecting the benefits of millions of Government employees.

Mr. Fleming detailed to the committee the importance of the work performed by three Federal bank supervisory officials. He pointed out that from the beginning of the Reserve System in 1913 until 1949 the salaries of the chairman of the Reserve Board and those of members of the Cabinet were on a parity. This parity should be restored, he recommended. Hence the chairman of the Federal Reserve Board should receive an annual salary of \$25,000, the same as a Cabinet officer, instead of the present \$16,000. Board members should receive \$22,500, compared with their present salaries of \$15,000.

After relating the responsibilities of the national bank supervisory agency, Mr. Fleming observed that, "thus it will be seen that the position of Comptroller of the Currency is one of the highest importance." He suggested a minimum annual salary of \$21,000 for the Comptroller.

"The FDIC has performed fine service and added to the confidence of the public in the stability of the banking system," Mr. Fleming noted. He suggested a "minimum salary" of \$21,000 for board members.

### Unlikely to Disturb Financing Advice

It was indicated in an authoritative quarter that despite the public hearings held in June to inquire into the system used by the U. S. Treasury Department to obtain advice on Treasury financing problems from groups of institutional investors in Government bonds, it is unlikely that this system will be disturbed as a consequence of those hearings.

The hearings were held before a subcommittee of the House Committee on Government Operations. The subcommittee inquired into the

operations of the various committees of commercial, investment, and mutual bankers, and the life insurance companies, who are called to Washington from time to time by the Secretary and Under Secretary of the Treasury to discuss financing problems. Spokesmen for commercial bankers at these consultations are the A.B.A. Government Borrowing Committee.

Chairman William L. Dawson (D., Ill.) explained that this was only a phase of the committee's broad inquiry into the use of "WOCs" (without compensation officials) and advisory committees to Federal agencies.

It is the intention of the committee, perhaps next winter, to make a report and a series of recommendations to the House on "WOCs" and the advisory committees. However, the Committee on Government Operations is without jurisdiction to propose and handle legislation on this subject matter. Its recommendations will only be advisory.

Meanwhile the staff of the subcommittee is continuing to study the system of the Treasury for obtaining advice on financing, and does not foreclose the possibility of hearings later this year on the subject, although none is now scheduled, it was stated.

### Propose New Debt Reserve Formula

In a report to its members, the A.B.A. proposed that there should

James Cunningham Sargent of New York has been appointed to the Securities and Exchange Commission for the term expiring June 5, 1961. He formerly was administrator of SEC's New York office



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be a third and alternative formula for computing (for tax purposes) banks' reserves for bad debts.

Under the direction of Lee P. Miller, chairman of the Committee on Federal Legislation, and Carlisle A. Bethel, chairman of the Subcommittee on Taxation, a questionnaire was sent to banks on their use or nonuse of available bad debt formulas.

Some 6,100 banks, or almost half, submitted answers to the questionnaire.

In December 1947 the Treasury authorized the adoption of the 20-year "moving average" method for the computation of loss experience on loans. By Mimeograph 54-55 of April 1954 the Treasury authorized the alternative method under which a bank may elect any 20-year period beginning with December 21, 1927, as the basis for computation of loss experience on loans. This is known as the "frozen average" method.

It was pointed out by the two committeemen that in 1953 the A.B.A. sought an alternative method based on a "flat industrywide average loss experience," with a substantially increased ceiling.

### Need for Third Alternative

"Your Committee continues to seek another alternative formula," it reported. "The flat industrywide average loss experience proposed to the Treasury in 1953 is still the heart of the Association's goal for such a formula which would be particularly helpful to the smaller banks." The Committee added that it had been discussing and urging this with the appropriate Federal authorities.

"Moreover, it is our view that in the interest of equity, each bank should have the option of any one of the three formulas: the moving average, the frozen average, or the flat industrywide average," the Committee observed.

The opinion was expressed that this should be achieved by administrative action rather than by legislation.

### Housing Quarrel

Basically the controversy which broke out in July over housing legislation reflected the determination of the conservatives of both parties

(CONTINUED ON PAGE 148)

# Your Bank's "Personality"

Drawings by  
**DICK ERICSON**

(The drawings and captions on these two pages were suggested by a talk given before the Pennsylvania Bankers Association by Ben H. Wooten, president, First National Bank in Dallas.)

USUALLY we form our opinions of people—and banks—from surface impressions of "personality traits," which are likely to be exaggerated. We think that in the following illustrations of bank traits the reader will be able to detect the ones that are generally approved. The captions mention only a few. Almost any customer can add several more of his own. For example:



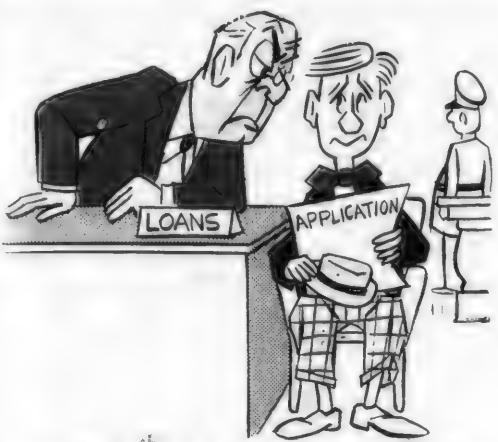
The way the president speaks to the man with the small account . . .



The way the girls answer the telephone . . .



The way the secretary has the visitor wait until he can see the officer . . .



The way the borrower is handled who is probably entering on life's greatest financial experience . . .



The way staff members refer to the president when they're away from the bank . . .



The way the teller hands the passbook to the customer . . .



The way a service charge explanation is given . . .



The attitude of the floor guards . . .



The community service rendered by the officers, and the support given by the bank to civic and charitable institutions . . .

# The Banker's Stake in Urban Development

WENDELL AUGUST, JR.

*The author is a consultant on the staff of Barrington Associates, Inc., a firm engaged in business research and management consultation. Interest in the subject of this article developed from studies made in connection with branch bank location.*

ONE of the most striking impressions a person is likely to gain from his first contact with U. S. Census Reports on Housing is their seeming preoccupation with the subject of dilapidation. Webster provides a rather unusual clue as to its nature and origin: *Dilapidate, v.t.—To bring, as a building, into a condition of decay or partial ruin by neglect or misuse; hence, to squander.*

The latter connotation introduces a vivid concept of what dilapidation really is—squandered wealth—and it represents for the average urban area one of the dismally large costs of neglecting planned urban development in the past. However, one cannot examine the wealth of material available on city planning and urban development without realizing that an astonishing amount of progress has been and is being made.

Civic-minded citizens, among whom bankers are prominent, have been responsible for organizing, stimulating, and guiding purposeful efforts into successes beyond anything they ever anticipated. The impressive and growing number of outstanding accomplishments is a fair indication that enough foresight and fortitude exists to find

ways of avoiding these big bills. The simple truth, as these people will tell you, is that it costs more to do nothing than it does to exercise the talent and take the time to tackle these problems and do what needs to be done.

## Urban Problems and Banks

Haphazard growth has bestowed upon the average urban area a heritage of decay, overcrowding, and chronic municipal financial difficulties. Regardless of what other consequences are apparent, these seem to be the big three. They reflect no credit on the economic, social, and political life of the community. Here, in brief, is how banking is affected.

The deteriorating influences mentioned above have been the largest contributing factors to the flight to the suburbs. It is not limited to people. Business and industry are also involved. In this shuffle, the urban bank loses customers and business. Establish a branch? The question is academic in many states. Move? Then you lose customers who would have stayed with you at your old location.



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This is a block model of the proposed Chase Manhattan Bank project in downtown New York. It indicates the approximate size and location of the center's hub, the Chase Manhattan Building which will rise 50 or 60 stories. Details have not been released. In the foreground is the 1,000-car garage. Wedge-shaped building at right is the Federal Reserve Bank of New York

Where blight has descended upon the neighborhood containing a bank, moving may be the only answer to the bank's continuing existence. This is economics reduced to its simplest terms. In any case, there is a direct, dollars-and-cents impact on banking. It is doubtful if any other type of business can measure the effects, or costs, of blight so precisely.

Overcrowding can be expressed in terms of lack of a place to park. The fortunes of two competing banks may well be reflected in their location with respect to parking facilities. Drive-in banking, which started as a makeshift for parking facilities, is sometimes feasible. The outlay for such banking might well be regarded as part of the banker's share of the cost of overcrowding.

Overcrowding also strikes in another way, creating a problem more common than is generally recognized. Institutional growth can go only so far before physical growth is required. Space is too often added on a *where-available* basis rather than any sense-making *where-needed* basis. Sometimes the

only answer is to cope with internal congestion. This is another, less tangible, added expense required of banking to do business in an over-crowded area.

The growth of slums and blight add their toll to the situation. To the extent that property values are adversely affected, loaning potentials and activities are curtailed. This is tied in also with increases in local taxes needed to make up for the shrinking tax base.

These points serve to illustrate not only how banking is specifically affected, but also how closely it is identified with the economic life of the community. Finally, they indicate in no uncertain terms that banking has a direct stake in urban development.

#### Development Needs Bankers

The banks of a community enjoy contacts with all businesses, professions, and industries, with the local government and with a great majority of responsible citizens. For the most part, these are personal contacts, devoid of political elements. Banks have local citizens on their boards of directors, and bankers are on boards of directors of other enterprises. These are even closer personal contacts. Because of them, bankers are in a position to stir things up and get action.

Bankers can and do provide basic economic data and factual background material useful and needed for city planning. They can bring together people, suggestions, ideas, and recommendations and can coordinate activities and details. They can and do constitute a most respectable and respected type of leadership. From their knowledge of people, they can solicit the right ones for the many jobs to be done.

Finally, few facets of urban planning and development are without their financial considerations. Who is better qualified to evaluate these and to keep developments on an even financial keel? Handling the money angles is a natural.

#### Other Values

No mention has yet been made of the business and publicity values that accrue from being associated with undertakings of this nature. There should be no belittling of the direct and indirect benefits as an inducement to devote time and effort to this work.

Planning is for professionals, but under almost any circumstances bankers should be familiar with the essential requirements of adequate communitywide planning.

A master plan is a must, and in proportion to its scope it should project itself into the future. Large undertakings require years for their realization. All individual projects and programs should be parts of a master plan, which in turn provides a standard against which newly conceived ideas can be measured for conformity.

The master plan, in turn, has to be flexible and subject to amendments because of newly conceived ideas and changing needs.

The basic ingredient of the master plan is a land-use plan. Municipal boundaries contain only so much land, and very little if any of it is available in an unused condition within these boundaries. Painstaking and detailed analysis is required to adjust differences and conflicting requirements, to meet basic human needs and bring about a condition of balanced allocations of land for different uses. If land-use planning can be made to cover an entire metropolitan area, the results are likely to be much more beneficial than otherwise.

With the basic land-use issues settled, the stage is set for development projects and, where slums and blight are present, redevelopment projects.

One of the essentials of land-use planning is adequate provision for

public lands. Included in this would be space for parks, hospitals, playgrounds, schools, cemeteries, a library, government buildings, and possibly a municipal auditorium. The principal fields to be covered are health, education and recreation.

Another element that must not be overlooked is transportation. This can be made to cover a multitude of projects—street improvements and widening, expressways, parking, public transportation systems, terminal facilities, a traffic movement and control system, and connections with county, state, and Federal highway systems. As in other cases, the present situation must be exhaustively studied and painstakingly analyzed.

#### Basic Tools

Usually, changes are required in local governmental authority. Certain basic tools required in urban development work are involved. These are: (1) the power of eminent domain; (2) building codes; and (3) zoning laws.

Making these effective sometimes requires going to the state government. Enforcement is yet another problem.

Last but far from least, planning must be judged by the soundness of its financial considerations. Very little progress can be made against a background of chronic financial difficulties, and financing is the prerequisite to any project.

No particular organizational pat-

(CONTINUED ON PAGE 116)

A new civic center for Chicago's governmental offices, and new centrally located residential buildings are part of the plans for the Fort Dearborn project on the Near North Side. Studying the model are Earl Kribben, vice-president of civic affairs for Marshall Field & Co.; James C. Downs, Jr., Housing & Development Coordinator; and City Comptroller Carl Chatters



**"OHI" Also Stands for:**

# Opportunity "Home Improvement"

D. Z. ALBRIGHT

MR. ALBRIGHT is vice-president of the Security-First National Bank of Los Angeles.

WHEN Operation Home Improvement was officially launched on January 16, 1956, with the blessing of the Washington Administration and the declaration of 1956 as "Home Improvement Year" by Housing and Home Finance Administrator Albert M. Cole, the event caused only a mild ripple in banking circles. Lenders generally were at that time giving primary attention to a financing market in which more than \$20-billion was invested in consumer durables while loans for modernization and repair purposes accounted for only \$1,600,000,000 of the nation's then outstanding instalment credit of \$28-billion.

In the fanfare of publicity which surrounded the Washington "kick-off" meeting attended by several hundred prominent people from industry, as well as members from President Eisenhower's White House staff, many Congressmen, FHA officials, and representatives of the U. S. Chamber of Commerce, many missed the full significance of Administrator Cole's prediction of an increase of \$3-billion in home improvement expenditures in the year 1956.

## Modernizing Tops Construction

In the period of less than six months during which the OHI campaign has been operative, there is now ample proof that the business of repairing and modernizing middle-aged homes in our country actually exceeds the dollar volume spent on new residential construction. And with a market potential estimated by Government and industry economists to be at least \$8-billion, the surface has only been scratched.

A roundup of opinions from bankers throughout the country indi-

## "Better Your Living" to Be Theme in 1957; Objectives Remain the Same

"Operation Home Improvement" will continue in 1957 when the theme will be "Better Your Living."

That slogan, says John Doscher, executive director of OHI, will be on the new seal which is to be released on November 1, 1956.

The purpose of the campaign, Mr. Doscher asserts, will remain the same next year:

"To coordinate sales promotion efforts of all factors in the home improvement business at the national and local levels, under one banner, in order: (1) to encourage more people to improve their homes and (2) to make it easier for homeowners to buy materials and service."

cates the impact of the OHI promotion is now beginning to have a telling effect. Most home improvement projects require financing and with the drop-off in the volume of automobile and other consumer durables financing, modernization, and repair credits are showing a remarkable step-up in volume. For example, in the Far West, lenders report an increase in the dollar volume for the first four months of the current year ranging from 30% to 300%. In the Mid-West and South, there has been a similar pick-up in activity.

## A Community Service Opportunity, Too

The increased emphasis on modernization credit has been noted by the American Bankers Association, whose President Fred Florence has stated: "Bankers have an excellent opportunity for community service by financing home improvements on a sound basis."

No market expansion in the field of home improvements would be possible without the full cooperation of the lending industry. According to OHI officials, of all the many and di-

verse groups embracing this unique industry-sponsored promotional effort, the lending industry is the most active.

## A-1 Risk

To the banking group the OHI's objectives are of particular significance as the homeowner has proved himself to be an "A-1" credit risk and from a community standpoint, the homeowner who takes pride in improving his standard of living is, of course, a better all-round citizen.

Also, the alert banker is keenly aware of the fact that the repair and modernization loan business is of the "bread and butter" variety. In other words, 77% of America's homes are more than 10 years old and as a matter of fact, 50% are more than 30 years old. These homes need expansion, improvement, and repair to correct inadequate plumbing, heating, wiring, and outdated kitchens, etc. Or as someone has said, home modernization is like painting the Brooklyn Bridge—there's no end to the job. When you finish, it's time to start all over again.

## New A.I.B. Course and Textbook

# *Public Relations for Your Bank*

**Will Be Ready for the Fall Semester**

BEGINNING with the fall term, the American Institute of Banking, educational section of the American Bankers Association, will offer a course on bank public relations. A textbook for this course, *Public Relations for Your Bank*, is now nearing completion. It is expected that the new book will be off the press on or about September 1.

### **Course Objectives**

General objectives of the course are:

- (1) To show the importance and extent of public relations in banking as a subject for study.
- (2) To indicate the great need for good relations between bank people and other people.
- (3) To discuss the fundamental principles, policies, and procedures that underlie constructive bank public relations.

(4) To summarize practical public relations programs and ideas for banks and bankers, with emphasis on how-to-do-it aspects or tools.

(5) To analyze major bank public relations problem situations and possible solutions.

(6) To demonstrate how each individual in banking can contribute personally to better public relations for his own bank, and for the banking industry of which his bank is a part.

### **Importance of PR**

Everybody and everything in banking are involved in the public relations process. No bank can operate successfully without good public relations. The subject of public relations in banking is important because banks are dependent on people—stockholders, directors, and staff members, customers,

people of the community, people in government, people of the press.

Banking's success and progress are the result of what lies in the hearts and minds of people, on both sides of the banking counter. Therefore, the people who work for banks should study this subject just as thoroughly as they study other important banking subjects. They should become as familiar with the factors that determine and influence good public relations for their banks as they are with the more technical aspects of bank operations.

### **Local Influence**

Even more important, they should become aware of their personal influence, as local individuals, in the local bank public relations process. They should realize that this local process and the so-called national public relations process for

### *The Contents*

#### *Chapter*

- I. Introduction to Public Relations
- II. Public Relations in Banking
- III. The Part You Play in Public Relations
- IV. Good Performance
- V. Basis of Public Relations
- VI. Planning for Bank Public Relations
- VII. Principles of Communications
- VIII. Personnel Relations
- IX. Publicity

#### *Chapter*

- X. Advertising
- XI. Business Development
- XII. Customer Relations and Physical Facilities
- XIII. Community Relations
- XIV. School Relations
- XV. Banking and Government
- XVI. Practical Public Relations Ideas
- XVII. Bank Associations and Public Relations
- XVIII. Looking Ahead in Bank Public Relations

banking, as a business, are interrelated, interdependent, and inseparable.

The text has been designed to implement the objectives of the course. It is intended for all bank personnel, executive and staff. In the words of its preface:

Good performance is essential for good public relations. The basic principles underlying good performance are presented clearly in this text. The techniques for attaining an atmosphere conducive to good performance are discussed. Emphasis is placed on the need for staff cooperation and the fact that a desire for public confidence must permeate the entire staff. Individual chapters are devoted to research, planning, and business development. External forms of communication are discussed in detail; the basic differences in the use of publicity, advertising, and merchandising are underlined... Every banker today aspires to good public relations. The purpose of this volume is to aid the banker, recruit and expert, in broadening and deepening his concept of public relations, and in achieving success for the bank's public relations policies and efforts.

An instructor's manual and practical exercises for the course are also being prepared.

#### Prochnow Chairman

Herbert V. Prochnow (now on leave as Deputy Under Secretary of State for Foreign Affairs), vice-president, The First National Bank of Chicago, Chicago, Ill., is chairman of the A. I. B. critic committee responsible for organizing and arranging the material in the book, and for reading and approving the final manuscript.

#### The Committee

Other members of the critic committee include: Dean Henry J. Engler, Jr., College of Business Administration, Loyola University, New Orleans; Louis B. Lundborg, vice-president, Bank of America National Trust and Savings Association, San Francisco; Harold J. Marshall, president, Manufacturers National Bank, Troy, N.Y.; Preston E. Reed, executive vice-president, Financial Public Relations Association, Chicago; Everett D. Reese, president, The Park National Bank of Newark, Newark, Ohio; and Rudolph R. Fichtel, assistant direc-

tor and secretary, Public Relations Council, American Bankers Association.

#### Contributors

Many bankers, outstanding in the field of public relations, contributed chapter material for the text. The various contributors were: Clifton Blackmon, vice-president, First National Bank of Dallas; Dean Henry J. Engler, Jr., College of Business Administration, Loyola University, New Orleans; Rudolph R. Fichtel, Public Relations Council, American Bankers Association; Swayne P. Goodenough, senior vice-president, Lincoln Rochester Trust Company, Rochester, N.Y.; William B. Hall, vice-president, The Detroit Bank; C. Arthur Hemminger, vice-president and public relations director, First National Bank in St. Louis; Gould R. Kardashian, assistant vice-president, The Chase Manhattan Bank, New York; Robert Lindquist, vice-president, Harris Trust and Savings Bank, Chicago; Dr. Kenneth W. Lund, assistant to the general superintendent of schools, Board of Education, Chi-

cago; George L. Luthy, president, Commercial National Bank of Peoria, Ill.; Harmon Martin, assistant cashier, The First National City Bank of New York; D. James Pritchard, vice-president, Society for Savings, Cleveland; L. J. Smotherman, assistant vice-president, First Wisconsin National Bank of Milwaukee; Forde U. Steele, assistant vice-president, Central National Bank of Cleveland; Dr. Harold Stonier, dean, The Graduate School of Banking, Rutgers University, New Brunswick, N. J.; and Fred Yeates, vice-president, Bank of America National Trust and Savings Association, San Francisco.

#### How to Order

Copies of *Public Relations for Your Bank* will sell for \$5 each. In the case of those ordering now, pending completion and delivery of the book in September, checks should be made payable to American Institute of Banking.

Orders should be addressed to American Institute of Banking, American Bankers Association, 12 East 36 Street, New York 16, N. Y.

#### AT WORK ON THE BOOK

The public relations critic committee, members of which guided the production of the A.I.B.'s new text. Seated, left to right: Dr. Leroy Lewis, national educational director; Ruth M. Hume, Institute text editor; Herbert V. Prochnow (chairman), vice-president, The First National Bank of Chicago; Rudolph R. Fichtel, secretary, Public Relations Council, A.B.A., New York; Everett D. Reese, president, The Park National Bank of Newark, Ohio. Standing, left to right: Gloria Swegman, former Institute assistant text editor; Dean Henry J. Engler, Jr., College of Business Administration, Loyola University, New Orleans; Harold J. Marshall, president, Manufacturers National Bank, Troy, N. Y.; Louis B. Lundborg, vice president, Bank of America N. T. & S. A., San Francisco. Preston E. Reed, executive vice-president, Financial Public Relations Association, was a member of the committee but was absent when this picture was taken



# Banker-Appliance Dealer Teamwork

R. E. INGMIRE

Mr. INGMIRE is manager of inter-industry activities for the "Live Better . . . Electrically" project.

"**N**EITHER a borrower nor lender be." Polonius offered this bit of fatherly advice to his son, Laertes. However, most critics and economists these days agree that Polonius was somewhat stuffy and economics never was one of his strong points.

Many banks, too, today give testimony by their promotional activities that the old man was way off base. One East Coast bank, for instance, recently held an unusual week-long exhibit to boost its lending operations. It used window and lobby displays built around a current promotional program of another industry to increase the rate of kitchen modernization in the community.

Another bank in the Mid-West started a loan volume building program at the beginning of this year, and it is still going on. The first step was an extensive direct mail campaign to all its FHA and property improvement dealers. The mailing pieces came from such national market development programs as the electric industry's Live Better . . . Electrically program, Operation Home Improvement, and the various U. S. Steel market development campaigns. Once this mailing program was well under way (it is still going on), the bank exhibited at the local home show, which emphasized such improvement projects as rewiring, kitchen modernization, and otherwise whetted the consumer's desire to have a better home.

Currently, one of the bank's loan officials is making personal calls on dealers, dealer associations and sales organizations offering them additional information on home modernization, display, and merchandising ideas.

To varying degrees most banks do

engage in some sort of promotional activity. But there are some who come fairly close to being modern-day counterparts of old man Polonius. Not in the sense that they are hesitant in making loans to builders, real estate developers, homeowners or electrical appliance dealers, but in the sense that they are neglecting valuable opportunities to increase their volume. Rather than promote actively those enterprises which represent sources of profitable loan business, many loan departments sit back and wait for business to come to them.

Perhaps one of the easiest ways for banks to increase profitable loan volume is to interpret nationwide market development programs sponsored by industrywide groups in terms of local opportunities and needs and to promote these programs both to the local trades and to consumers.

## A 5- to 10-Year Project

One of the promotional programs which lend themselves admirably to this type of local promotion is the electric industry's Live Better . . . Electrically program. For one thing this is not a one-shot project. It is planned to run anywhere from five to ten years. For another, this residential load building project is a series of local programs spearheaded at the local level by electric utilities. These local programs are backed and supported by a nationwide advertising, public relations and promotion effort.

Since the electric utility spearheads the program in each locality, a community of interests in it already exists among the "trade allies"—builders, realtors, electrical dealers, electrical contractors, distributors, and even the banks.

The awareness of the program on the part of trade allies is quite strong. Not only the electric utilities are promoting it. Various national

associations in the industry and individual manufacturers are using the theme and symbol in their messages to their members, dealers and distributors. They in turn are encouraged to use these materials in their own local merchandising programs.

And this is where the loan department of a bank can become active. Since banks finance approximately 80% of all electrical appliance business being done in this country—not only retail time-sales financing, but wholesale floor planning as well—it seems only logical to expect that they become interested in the merchandising and promotion techniques that would help move the inventory.

There is an opportunity for a bank to give dealers a promotional shot in the arm when the bank representative makes his monthly (or more frequent) floor plan inventory check. The bank representative can engage the dealer in a "how's business" type of conversation, during which he can make some merchandising suggestions. Such as:

## Some Suggestions

1. Wider use of the counter and window display Live Better . . . Electrically banners and streamers in the store.

2. Taking fuller advantage of the cooperative advertising money that is available to the dealer, and the use of symbols or the ad mats which are available to him from the local utility.

3. Banks that have a good volume of floor planning and retail time-sales financing business, might run one of the program's newspaper mat ads on a cooperative basis, as a dealer listing type of ad.

These are only a few of the many things a bank can do to increase the reputable dealer's business volume.

(CONTINUED ON PAGE 113)

# METHODS and IDEAS

## Operating Procedures

### **Loan Policy**

A CROSS-SECTION look at commercial bank lending policy was provided by Robert L. Gordon, vice-president, Bank of America NT & SA, Los Angeles, at an American Institute of Banking convention session.

Ninety percent of the bankers replying to questions asked by Mr. Gordon said their present policy was to "take care of the legitimate needs of their deserving depositors." He offered the caution that "because a banker didn't express the viewpoint just stated, it should not be concluded that he didn't feel that way. I suspect," said Mr. Gordon, "that had they thought of it 100% of the replying bankers would have stated their banks' policy in about the same way the 90% did."

Twenty-three percent said they were taking on new business—"with great selectivity."

Avoidance of speculative loans was reported by 35%.

"Only 23% specifically stated that they were avoiding making so-called 'static' loans — those that have no program.

### **Brokers' Loan Policy**

"Sixty-five percent are continuing to make loans to brokers, but are not taking on any new brokers' accounts. I detected a 'weeding out' philosophy developing as to this type of loan. Some banks have put their brokers' loans on a strict 'call' basis, whereas until recently such loans were demand loans only for classification purposes."

"Generally," asserted Mr. Gordon, "it is present bank policy to try to take care of the legitimate needs of deserving depositors, apply fairly severe yardsticks on interpreting the meaning of 'legitimate' and 'deserv-

ing.' 'Legitimate' generally means nonspeculative, self-liquidating, non-inflationary loans. 'Deserving' means those who, by reason of a satisfactory deposit relationship, have earned the right to borrow money."

### **Modernize Now for Automation**

MODERNIZE systems now in preparation for tomorrow's automation, counseled Charles A. Roloff, assistant vice-president, The First Wisconsin National Bank, Milwaukee, in a talk to the American Institute of Banking.

"Getting into this field is going to be entirely different from progress made thus far in the mechanization of clerical work," he said. "Electronic equipment will not prove economical (for some time, at least) for any one if the necessary planning and systems development effort is limited to one function, department, or application. In most cases, the whole or a major portion of any bank's service work will have to be considered jointly and in multiple combinations when planning the 'bank of the future.'

"This makes quite obvious the extreme need for looking at our 'bank of the present' before we can make any intelligent progress toward planning for our 'bank of the future.' Furthermore, who can guarantee or estimate with reasonable accuracy what that bank of the future will be like or how it will operate? The only logical answer is that the word future is a completely nebulous, comparative word. No one knows when the future will occur. It may be next year or it may be in 10 years. Therefore, there is no complete answer though we do know it won't be tomorrow.

"Full automation is a goal that we should be considering in terms of progressive stages," Mr. Roloff continued. "Under that kind of approach, much work preparation, and tangible progress can be made and realized right now. We should be taking each step in contemplation of the 'electronic future' and to take best advantage of the mechanical present. Alert, progressive persons in banking and other businesses who have adopted that approach are experiencing a most beneficial awakening in the area of office systems and procedures through the important realization that 'electronic automation' basically requires uniformity of procedures and forms and simplification of data processing.

### **Toward the Future**

"Making studies in contemplation of the 'electronic future' will require systems and procedures analyses, work simplification programs, a drive for uniformation of internal and external forms, and a knowledge (on the part of someone in your shop) of the proper direction—not the goal—the proper direction in which you should be going in making improvements and changes that will naturally result from the above-mentioned program.

"We should not attempt to plan for electronic automation in a single step or wait for the opportunity to do so. Automation by degrees will be much more digestible and certainly more advantageous."

### **Auditor's Self-examination**

A QUESTION and answer method of checking on the thoroughness of an audit program was suggested to NABAC members by Henry Hill of Price, Waterhouse & Co., New York.

At the completion of a departmental examination, prepare a schedule. In the first column list the dangers usually associated with a department of this kind.

Next, devise the internal control answers. You'll no doubt find that the controls do not prevent all the occurrences you've been able to worry yourself about. So a third column should be devoted to the audit steps that would detect such operations or defalcations should they occur.

Additional questions should arise as the auditor reads of frauds and embezzlements, and as he makes his daily rounds.

Another source of queries for this self-examination is the errors found during an audit. When you find a mistake you should be more interested in the system permitting it than in correcting it. Each time an error in the accounts is disclosed ask how it happened.

### What's New?

**Executive Training Program.** Peninsula National Bank of Cedarhurst, N. Y., had a 16-week executive training course for 14 of its employees. Set up by the American Institute of Management, the two-hour evening sessions comprised lectures and hypothetical test cases involving management principles studied. The students took true-false tests. The lecture series, by Professor Harold Feldman of Fairleigh Dickinson College, covered the general structure of corporations, research and development, evaluation of a board of directors, fiscal policies, sales, and other background subjects. The general purpose was to give employees a view of business from the president's desk down.

**Protective Aids.** A "robbery reminder kit" is being distributed by the National Association of Bank Auditors and Comptrollers, Chicago. It consists of eight point - of - use training aids to help banks formulate and maintain effective internal security measures. The items are 6 x 10-inch cards, each bearing a brief reminder illustrated with a cartoon, for use at lobby work stations.

**Faster Special Check Service.** Chemical Corn Exchange Bank announces that it is the first bank in New York City to use "post-to-check" in handling special checking

accounts, initially for 20 offices.

**Portable Microfilm Camera.** Business publication writers in New York recently saw a demonstration of a portable motorized microfilm camera

developed by Diebold, Inc. Weighing 20 pounds, the machine features simple magazine loading. One 16 mm film reel will handle 3,500 checks.

## Loan Classification for Call Reports

ROBERT K. JONES

MR. JONES is administrative assistant at The First National Bank of Cobleskill, N. Y.

THE problem of classifying loans and arriving at classification totals for the quarterly call reports has been solved at our bank with the help of information furnished by the Bank Relations Division of the Federal Reserve Bank of New York and a thorough analysis of our particular situation.

Our first step was to code every loan in accordance with the recommendations of the Federal Reserve bank's publication. In order that the interpretation of loan classifications be consistent, this work was done by the two members of the staff who could continue to classify and code each day's loans as they became a part of the bank's assets.

In the case of time and demand loans, the code letter was placed on the note itself. Personal loans, real estate, and chattel mortgages were coded on their ledger sheets. The criterion for placement of the code symbol was to make certain that it appeared on the medium which carried the balance outstanding on each individual loan.

After our loan ledger had been classified, we began our program

of coding each day's loans. All loans are coded after the close of business. The necessary information required to aid proper classification of each loan is obtained by referring to a completed form which has been stamped on the back of all notes used in originating new loans. The illustration accompanying this article shows a sample of this stamped form as it appears on the reverse side of a new note. When a note is renewed by a part payment and issuance of a renewal note, the code symbol is copied on the renewal by the teller, using the same symbol as on the note being renewed. This reduces the work done by the coding officer, as he is concerned only with the classification of new notes.

WE are able to run the balances on all our loans in one continuous run by using our 20-register proof machine. If necessary, the running of these balances may be done in more than one run, but we attempt to rearrange our work schedule so that the proof machine is free for this job until it is done. Totaling out the 17 registers to which the code symbols have been assigned, we automatically obtain our loan totals needed for Schedule A of the call report of condition, as required by the Comptroller of Currency.

As we also get an automatic item count on each type of loan, we are able to produce some useful and significant statistics concerning the operations of our loan department. The time and effort involved in setting up this program has been well repaid. The day-to-day maintenance of the system requires a very small expenditure of time. In addition to being able to produce the required accurate figures for a call report, we now have the means of obtaining an up-to-the-minute picture of any facet of our loan situation at any time.

OCCUPATION	Mechanic
EMPLOYED BY	Doe Mfg Co.
PROCEEDS TO BE USED FOR	Hospital Expense
RENEWABLE YES	NO <input checked="" type="checkbox"/>

This form is stamped on the back of all new loan notes at the Cobleskill bank

# Public Relations

*Advertising . . . Promotion . . . Business Development . . .  
Community and Staff Relations*

## Bank's Postage Meter Slogans Advertise Town

THE JENKINTOWN (Penna.) BANK & TRUST COMPANY has an effective new gimmick for boosting its city.

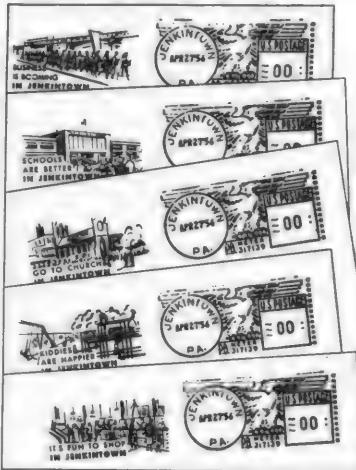
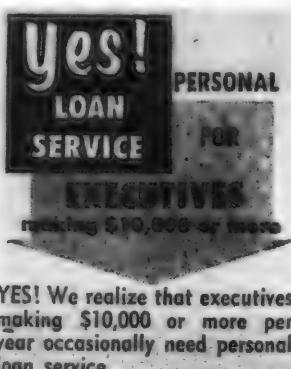
The bank has produced five postage meter slogans for use on the prepaid mail of local firms. Each publicizes a different phase of Jenkintown life; each is illustrated with a thumbnail sketch. There is no advertising for the bank.

"We believe that what benefits the entire community also benefits us," says Treasurer Robert W. Turner. "For that reason, we urge every Jenkintown user of metered mail to use these plates on every piece of outgoing mail. With the full cooperation of local businesses, the fame of our community can be spread.

The plan is to have every business firm use one slogan for approximately a month, then exchange it for a new one. Eventually each Jenkintown company will have used all five, and many people will have learned of Jenkintown's unique advantages."

## The "YES" Bank

FROM J. Samuel Richardson, director of public relations, CENTRAL BANK AND TRUST COMPANY, Miami, comes interesting evidence that, in



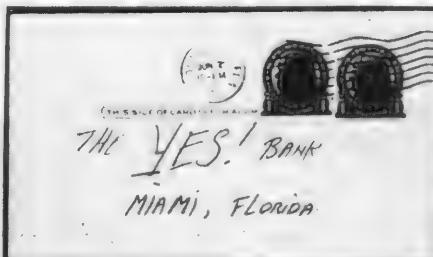
The bank's five community-boosting postage meters

his words, "consistency in advertising and continuous pounding away at an acceptable theme are bound to make an impression on the public."

Mr. Richardson sends a photostat of a post card addressed: "The YES! Bank, Miami, Florida." Now the Central Bank, he explains, starts all its ads, large and small, with the word "Yes." (See illustration.)

"You see," he continues, "our approach to advertising is positive. Banks and bankers throughout history have been expected to be 'hard-eyed,' 'flinty-hearted,' 'turn-downers' of anyone requesting accommodations. The word 'YES,' we feel, con-

*Left, an example of the Miami bank's "Yes!" advertising. Below, the postcard that found its mark*



notes willingness and the bank's desire to lend money or make accommodations if it's at all possible."

## A "Money" Program

MICHIGAN BANKERS ASSOCIATION and WNEM-TV, Bay City, presented "The Mystery of Money," an hour-long panel discussion of money and banking.

Twelve leading bankers reviewed a new film produced by MBA, then answered questions submitted by the audience. The moderator was James E. McCarthy, dean of Notre Dame's School of Commerce. Participants included Maurice C. Eveland, Michigan Banking Commissioner; J. Dean Stanley, the state's municipal finance consultant; and Russel A. Swaney, vice-president, Federal Reserve Bank of Chicago.

Programs with the same format are planned on other stations throughout the state.

## "It's a Pleasure"

THE CONNECTICUT BANK AND TRUST COMPANY of Hartford has a television program that seems to be a little different. Titled "It's a Pleasure," the 15-minute weekly evening telecast presents representatives of educational institutions, persons with worthwhile hobbies or special interests, and organizations that are serving the state or its communities in one way or another.

In general, the program points up the pleasure of living and working in Connecticut and in or near Hartford. It provides, says Vice-president Graham R. Treadway, "a somewhat homely performance which men, women, and children enjoy."

The project started with a small list of prospects, but soon people were volunteering. The bank pays for the station time, for the master of ceremonies, and for some of the background materials, but the talent is all free.

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## Youth Activity Ideas

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*Midsummer is a good time to think about school relations activities—at various educational levels—during the coming year. Here are several projects that came to our attention recently.*

### Bank Guides Students to Careers in Science

A New York City bank made a contribution toward relieving that shortage of scientists.

THE DOLLAR SAVINGS BANK, with the cooperation of colleges and universities in the metropolis, had a main office display designed to whet the interest of young people in scientific or technological careers. The exhibit, to which junior and senior high school students were particularly invited, illustrated advances in science and provided information on educational opportunities for young folks with a scientific "bent." Quite logically, it also outlined the contribution a well-planned saving-for-college program can make toward starting the student on a career. The theme was "The Students of Today Are the Leaders of Tomorrow."

Literature describing scientific and other courses available at Columbia, City College, Hunter College, Fordham University, Manhattan College, and New York University was available to visitors.

There was also a pamphlet listing the average expense of a 4-year course at 153 American schools—and parents learned that \$6,000 was a likely answer to the cost question. To that other big question, "How can I be sure of having that much money when the time comes?" the bank had an answer: "Start saving regularly now."

Robert M. Catharine, president of the Dollar, sent letters to all high school principals in the Bronx (the bank's borough) inviting them to urge pupils, parents, and teachers to visit the exhibit.

Several industrial companies contributed scientific displays, including a scale model of the atomic submarine Nautilus, and bomb sights used in the two world wars.

### Diploma Pocketpiece

THE MANCHESTER (Conn.) TRUST COMPANY provided members of the high school's class of 1956 with a miniature reproduction of his or her diploma. It was laminated for permanence, and intended as a pocket piece. A photographic copy of each diploma was made, and the graduate's name was then printed on it. There was no advertising.

On graduation day a congratulatory letter was sent to each member of the class and the facsimile diploma was enclosed.

N. William Knight, vice-president in charge of the bank's public relations, pointed out that the memento would be a permanent reminder of an important milestone.

### College-Bank Arrangement

A NEW scholarship plan aimed at attracting young men to banking has been announced by BROADWAY BANK AND TRUST COMPANY of Paterson, N. J.

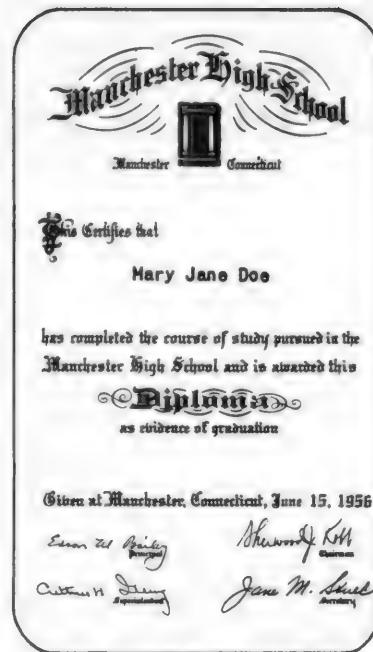
It's a work-study arrangement with Farleigh Dickinson College. Two students will act as a team, explained Executive Vice-president Martin Sukenick: while one is at college for a semester the other will be working at the Broadway. At the end of four calendar years the students will get their B.S. degrees and the opportunity to continue bank work.

The program started this summer and both men are on the bank's staff. John C. Lane is in the instalment loan department; Charles A. Throckmorton in the credit department. Both will rotate through the various divisions so as to give them a complete view of the banking business and facilitate their choice of a field for specialization.

### A.I.B. Sponsors Essay Contest

A N essay contest for high school seniors was sponsored early this summer by the public relations committee of Maricopa Chapter, American Institute of Banking, at Phoenix, Ariz. The subject: "Arizona's Greatest Need in the Next Five Years."

The young people offered many suggestions: the need for water, tax equalization, more schools, more pay for teachers, racial tolerance, etc.



Each graduate got a card like this

Three winners were selected by the Phoenix businessmen who judged the entries, and there was a luncheon in the students' honor.

### Eighth Grade Tour Reports

THE Irvington office of FIDELITY UNION TRUST COMPANY, Newark, N. J., offered a \$10 bank account to the eighth grader who wrote the best account of a tour of the bank for a first-hand study of operations.

The winner, Jane Smakowitz, 14, one of 35 youngsters taking the trip, wrote that she had learned "what teamwork it takes to keep a bank running smoothly."

Mrs. Eleanor Headlee, right, First National Bank of Arizona, presents a Savings Bond to Norene Baslow, high school graduate, a winner in the A.I.B. essay contest.



# BANKS and PEOPLE

*Activities That Make News*

## A Bank and a Battleship

"Banks and People" is by JOHN L. COOLEY of BANKING'S staff.

YOU remember the great Battleship Arizona—how, as she lay at her moorings in Pearl Harbor that December 7, a Japanese plane dropped a bomb down her stack and she became a symbol in the war that burst the atom.

The sunken ship, you'll also recall, eventually yielded some of her personal effects to the salvagers. Among them were her bell and part of the silver service that graced the skipper's table on high occasions. They came back to the old ship's home state.

Now they're in a bank's lobby. From a dark corner under the grandstand at the State Fairgrounds in

Visiting the bell in the main banking room are, left, Commander W. V. Ketcham, U. S. N. (Ret.), and Hugh C. Gruwell, chairman of the First's board



Phoenix, the First National Bank of Arizona rescued these mementoes and gave them places of honor in

its new Phoenix home. They will be returned to the Fairgrounds, now and then, for exhibition purposes, but their permanent address is FNBOA.

The bell, cleaned and polished, is on a stand in the middle of the First's big banking room. The silver, heavily sculptured and massively rococco, is in large illuminated cases against the lobby wall.

In accordance with an old custom, the service was purchased with the pennies, nickels, and dimes of Arizona school children who, when the ship was commissioned in 1916, were on the fringes of the war that didn't make the world safe for democracy, after all. Now the bright pieces are being admired by another generation of youngsters living in a time when battleships have made room for carriers, and banks cultivate friendly



Fifty-nine pieces of the ship's silver service—coffee urns, pitchers, punch bowls—are now in illuminated glass cases in the First

relations with their communities.

The bank took custody of the mementos after a Phoenix newspaper had published a letter from three residents of Mesa, Ariz.

"We are writing concerning the USS Arizona's ship's bell," they said. "It is presently located beneath the stadium at the Arizona Fairground on a poor stand in a

dusty stall. It is our opinion a bell of such significance could be more adequately displayed and maintained in a more suitable location, such as at the Capitol Building. If the state cannot do this, it should be returned to the U. S. Navy where it will be preserved."

Publishing the letter in an advertisement announcing that the bell

had a new home, the bank added this postscript:

"All thanks to the Mesa men whose letter started this, and may this be your invitation, too, that when in Phoenix you stop by and touch this symbol of our liberty which came up from the floor of Pearl Harbor sometime after December 7, 1941."

## Bank's Clock Is Center of Kansas "Sizzler" Contest

This story comes from R. T. Kingman, of The Kansas City Kansan.

WHEN they talked about the weather in Kansas City, Kans., this summer, they talked about the Security National Bank.

That's because of a newspaper promotion contest, the bank's outdoor clock, and a series of events that parlayed into an attention-compelling campaign with coverage from national press services.

It all started with *The Kansas City Kansan*. The newspaper's promotion manager looked for a new twist to a contest (conducted by other papers) awarding a cash prize to the reader who could come closest to predicting the time and day when the temperature would first hit a certain mark. He thought up a name, "\$izzler," and planned to award \$100 for the nearest estimate on the arrival of 100 degrees.

A twist? How about borrowing from the big TV contests that call in banks as consultants to lend prestige and authority? The promotion man remembered that a time-temperature clock had been installed recently at the Security National Bank, at the city's main intersection, and he suggested to Maurice L. Breidenthal, Sr., the bank's president, that this clock be the official timepiece for the contest.

### Bank Adds Prizes

Mr. Breidenthal agreed, and added more cash prizes—\$25, \$15, and \$10—to the contest. He also incorporated the contest idea into the bank's own promotion (called the "Double-

T roundup," for "time-temperature") designed to increase local accounts.

Next, the newspaper asked the American Sign and Indicator Corporation, Spokane, Wash., for permission to have the clock re-wired to stop at 100 degrees and alternately flash 100 and the minute the temperature hit that mark thus providing an accurate record. The rewiring was done in mid-May, and the newspaper started its promotion, using ads, stories, pictures, and radio spots.

Then came the surprise. The *Kansan* had expected a total of about 3,000 postcards. But they came in at the rate of from 500 to 1,000 a day, passing the 10,000 mark within a month. Two clerks were hired to file the cards in order.

### Wide Publicity

The response was spurred by an incident that aroused the interest of United Press and NEA news-photo service. Just as the clock was getting its final calibration an unexpected warm spell arrived. For three days record temperatures were set, and a high of 98 reached on another thermometer — while the bank's timepiece was temporarily out of commission!

A hurry call to the manufacturer brought Production Manager William Justus flying to Kansas City to rush the calibration. His "flight against the sun" made a United Press story, and NEA picture, that were widely used. Local radio and TV stations also featured the story.

As a result, postcards started arriving from every state. One, sent



by a citizen of Berlin, Germany, provided more copy for United Press.

### Much Local Interest

Local interest was high, too. Many contestants took to "clock-watching." A few ceremonies were staged under the clock; one involved a "Santa Claus" from New York's Fifth Avenue who came to town to promote a movie and was dragged into the "\$izzler" act.

Although there was no way to measure the benefit to Security National, Mr. Breidenthal said, "There is no doubt that the '\$izzler' had some effect on our increased walk-in business."

At this writing the temperature in Kansas City, Kans., had climbed toward, but not quite reached, 100.

And the postcards still were rolling in—17,000 at the latest count!

# PROGRAM PLANNING

## for State Bankers Associations

MR. MENNENGA is executive manager of the California Bankers Association and president of the State Association Section of the American Bankers Association. He writes here of an important current project of that Section's Committee on Program Planning.

A GROUP of secretaries was gathered around a luncheon table to hear an officer of a bankers' association discuss trade group services from a member's viewpoint.

Maybe the banker was covering up his own lack of a clear understanding of what he wanted from his association when he opened his remarks with the question: "What, in your opinion, is the most important function of a state bankers association?" and followed it with: "What is the second most important function?"

The first question was not too difficult, but the second one remained unanswered.

That was the beginning of the State Association Section's study on program planning.

### The Committee

Within a few weeks a committee of secretaries had been appointed under the chairmanship of Carl A. Bowman, secretary of the Kansas Bankers Association. His associates are Belford P. Atkinson, executive manager, Ohio; Floyd M. Call, executive manager, Florida; Frank N. Gans, secretary, West Virginia; and Kenneth McDougall, executive manager, Savings Banks Association of Massachusetts and vice-president of the State Association Section. A.B.A. Deputy Manager George A. Amy is secretary-coordinator.

Of the 56 associations in the United States (49 commercial bank associations, including the District of Columbia, and seven savings bank associations) 32 were organized prior to 1900, and all but a few of the remainder were in operation

### OSCAR R. MENNENGA

prior to 1915. Over the years these associations have grown in size, in scope, and in the number of their activities. They grew according to the apparent need and demand of the areas they serve. As a result, their programs today vary greatly in both type of activity and emphasis. Although long-range objectives may not always be identified, all serve the same business under fairly uniform conditions.

To the Committee on Program Planning, this was not a chaotic situation but one in which it was necessary to find the true objectives and to identify the activities which had been most effective in reaching those objectives.

### Objectives

The committee has made a notable start. It has positively selected the No. 1 objective and clearly identified and described the essential supporting activities. In addition, the committee has reached the tentative conclusion that there are three more objectives, and it has begun to classify activities under them. (See the chart on opposite page.)

The completed portion of the study, which has been distributed among the associations, is known as the *minimum program* for every bankers' association. It contains:

(1) A statement of purpose of an association, aimed at clarifying the relationship between the membership and the association.

(2) A statement of qualifications for executive council members, which points out that an association cannot be expected to be effective unless senior management of the individual members serves on the governing body. The decisions which an association must make are every bit as important as those made by any member bank.

(3) A statement on income and reserves which emphasizes the need

for sufficient income to provide for implementing the approved program and to build up a reasonable reserve for emergencies.

(4) A detailed program to fulfill the No. 1 objective—to preserve and promote sound banking law.

Under Item 4, the committee discusses the following things which an association must do to fulfill its responsibility in connection with its No. 1 objective:

(A) Follow court decisions in its state and correct unsound decisions through appeal or legislation.

(B) Participate in public hearings and interindustry conferences on matters related to banking.

(C) Maintain a full-time state legislative program operated within the public interest, directed by a carefully chosen committee on legislation, and executed by a legislative representative who has all of the skills needed for a position of this kind. He must have a sound background in law and in banking and legislative practices, plus the ability to deal effectively with government officials and legislators, and to analyze and draft legislation. He should be the same man year after year, because legislative success is a product of a sound policy skillfully executed over a long period of time.

### The Minimum Program

In substance, that is the minimum program. It should take precedence over all other activity.

The State Association Section is well aware of the fact that this minimum program will cost more than the current income of some state associations. Nevertheless, no one can argue that the cost—not for lobbying in the usual sense but for salaries or retainers of qualified personnel and expenses—will be too high a price to pay for prevention of further erosion of the law under which the industry operates.

The State Association Section is  
(CONTINUED ON PAGE 112)

## INTERRELATION OF OBJECTIVES

		OBJECTIVES			
TYPICAL ACTIVITIES		1. PRESERVE and PROMOTE SOUND BANKING LAW	2. PROVIDE INFORMATION and OPPORTUNITIES FOR DISCUSSION	3. MANAGEMENT AIDS	4. ASSIST BANKING IN BUILDING ITS REPUTATION*
Court decisions—review; contest unsound decisions; corrective legislation	Helps preserve sound law.				Builds reputation with the public, legal profession, courts, government officials, and legislators.
Representation — public hearings and inter-industry conferences	Helps preserve and promote sound regulation.				Builds reputation with regulatory bodies and representatives and members of allied industries.
State legislation—sponsor, support, or oppose legislation affecting banking as situation requires	Helps preserve sound law, modernizing existing law, bring into being needed new law, prevent unsound new law.				Builds reputation with the public, legislators, government officials, and other industries.
Federal legislation — assist American Bankers Association	Same as "State legislation"				Same as "State legislation"
Bulletins, circular letters, manuals, booklets, and magazines		Provides new information for current use and reference file.	Information made available on legislative and legal matters (objective No. 1) provides excellent source material which is not readily available to management of smaller members.	Builds reputation with general public, which is favorably impressed by well informed personnel. Such personnel are always more alert and capable. Releases on bad check operators, etc., create goodwill with law enforcement agencies.	
Conferences; workshops; group meetings; regional meetings		Provides opportunities to receive and exchange information, to test ideas, and establish new contacts within the industry.	Gives management a means of exposing its personnel to other points of view, new ideas, tried and tested procedures.	Builds reputation with employees who appreciate opportunity to attend and participate. Also same as "Bulletins, circular letters, manuals, booklets, and magazines."	
Conventions	A convention or annual meeting, which is usually required by the constitution, is not an activity of the association; it is the heart of the association. By definition, a convention is an assembly of delegates met for the purpose of discussing the business of the association. Its relationship to the executive council is that of stockholders to the board of directors. Many organizations in drifting from this basic precept have closed the only effective way for members to express their views and wishes to the executive council. To include the convention in the list of association activities would be a misinterpretation of its function. Nevertheless, conditions force a recognition of the fact that nonconvention activities do exist at annual meetings. Such activities should, therefore, be planned with objectives No. 2 and particularly No. 4 in mind.				
Schools (resident courses)		Same as "Conferences, workshops, etc."	Provides a source of concentrated training which is invaluable to the potential executive and management.	Results in better service. Builds goodwill with employees, who appreciate management's interest in them. Indirectly impresses the public, who respect an institution which has such an attitude toward employees.	
Group insurance and pension plans			Provides a near essential service which small employers cannot buy on an individual basis at a reasonable price.	When properly handled, builds goodwill with employees, dependents, and their many friends.	
Cooperative committees — state bar, etc. Farm Youth programs Know Your Bank Week Publicity Films Foundations				Each of these items and many like them are aimed directly at objective No. 4.	

\*In general, this is a tempting field, but executive councils should appreciate that more public opinion can be traced to personal experiences with banking than to misinformation or lack of information about the further services in other areas are less urgent.

# State Conventions Are Tops!

A GLANCE at BANKING'S Convention Calendar, in the news section of this magazine, tells you that this year's bankers association meetings are just about over. And it tells us that now is the time to take an informal inventory of what was produced for and by the thousands who shared in these annual gatherings during the spring and early summer of 1956.

As everybody who attended one knows, a state association convention is an opportunity for seeing in perspective what you and your bank are doing, and where you're going. The program, planned months in advance by the state officers and the secretary or executive officer, provides a quick survey of banking at the moment, some competent forecasts, a review of the past year's work, and perhaps a reminder that

when you get back home you'd better dig out a particular association-sponsored study and see whether the facts it produced are applicable in your bank.

## "Timeliness" the Keynote

A review of this year's convention programs points up what is perhaps their most solid contribution to better banking: timeliness. Running down the agendas of perhaps three dozen 1956 meetings, we found such subjects as personnel, executive development, competition for savings deposits, monetary policy, the national economy, agricultural prospects, repeated again and again. The emphasis changed, naturally, with sectional interests, but the basic purpose—background for management policy and decisions—was the same.

Yes, "electronics" was there, too. Discussions by experts in this phase of "tomorrow's banking" were supplemented, you may be sure, by informal, between-session conversations that brought appraisals of how this or that setup is working "in our bank," and intelligent opinions as to just how far this automation business is going, anyway.

"Public relations" was another topic with an active market. Under this broad heading come a bank's activities in behalf of a better community; its efforts to tell young people — school children, mostly—about the economic system in general and the banking system in particular; its program for getting along with the public. The associations have much to report along these lines in this day of expanded "PR."

## SOME NEW HEADS OF



Left to right: UTAH—Willard L. Eccles, senior vice-president, First Security Bank of Utah, N. A., Ogden; NEW HAMPSHIRE—Charles W. Jackson, secretary and treasurer, Rollinsford Savings Bank, Salmon Falls; MAINE—David G. Campbell, vice-president, Depositors Trust Company, Augusta

# *"Timeliness" Was the Keyword of the Big 1956 Series of Meetings*

Here and there, throughout the country, was a state association convention that talked about flood control and highway financing. Legal problems, the Washington scene, and banking's many credit services were among the topics more generally considered.

## Educational Activities

Committee reports are important at all these gatherings. Of particular interest, perhaps, were the reviews of what an increasing number of state associations are now doing in the educational field: scholarships at colleges and universities, cooperation with these institutions in steering young people to banking careers, state participation in regional schools for bankers.

Educational, too, are the "Know Your Bank Week" programs now

## A.B.A. Officers Speak

*Fred F. Florence, president of the American Bankers Association, and Vice-president Erle Cocke carried on busy speaking schedules during the "season" of the state association meetings. By early July, Mr. Florence had spoken at 16 conventions, Mr. Cocke at 8.*

used in many states, and association-sponsored projects that help farmers, farming, and young people.

## The Few Who Do So Much

All this, of course, adds up to the state association's contribution to the banking business. Break that

down a bit, and what you really have is this: the contribution which a comparatively few men are making to a common cause. After all, the officers, salaried staff, and chairmen and membership of the many committees and commissions carrying on the work of organized banking comprise a tiny percentage of the number of bankers. But that, of course, is the nature of organization work.

Melville M. Parker, executive vice-president of the First National Bank of Lebanon, Penna., speaking as the new president of the Pennsylvania Bankers Association, put it this way: What is your association getting out of you?

In other words, organization work, like many other activities, is giving as well as getting. And the more that's given, the richer the result.

## STATE ASSOCIATIONS



Left to right: MICHIGAN—Charles H. Hewitt, executive vice-president, The Detroit Bank & Trust Co.; IDAHO—Martin Warberg, vice-president, The First National Bank of Caldwell; MINNESOTA—A. G. Sirek, executive vice-president, State Bank of New Prague

# *How Communities Are Filling in Their*

# Blueprints for the Future

ROBERT A. LOVE

*This is the second in a series of articles—the first appeared last month—in which DR. LOVE describes the industrial development efforts of states and communities throughout the nation. The next two articles will deal mainly with the part bankers can play in this program. The author is a nationally known authority and consultant to private industry on problems of management and administration. He has written considerably on economic subjects and holds a full professorship at the College of the City of New York.*

THE modern era finds industrial development activities aggressively carried on at the local, state, and regional levels by governmental, public, and private bodies.

**Local Level:** There are many reasons why industrial development activities have originated on the local level. The benefits of added pay-

rolls are direct and apparent to local merchants and other enterprises serving the community. Promotion of the community has long been a function of most local chambers of commerce as well as many other community groups. Since practically every city, town, and village has a chamber of commerce or its equivalent, it is obvious that these organizations, through their paid employees, committees, and members, account for a tremendous amount of effort devoted to promoting their respective localities.

In some instances cities within a general industrial area unite for purposes of industrial development. Other examples of regional activity include the cooperation of several Louisiana parishes in a study of the region's resources.

**State Level:** Although state government promotion of industrial development was somewhat delayed, governmental participation on the

state level is now virtually complete. All states except Texas and California have definitely fixed responsibility for this function in an appropriate department or division. In Texas there are four strong divisional organizations which operate, however, without official support. In California, the responsibility is left to local bodies, but even in this state the Department of Employment takes an interest in some phases of industrial development.

Titles of 46 state units responsible for the function are indicative of the thinking underlying their establishment. They include Planning Board, Advertising and Publicity Committee, Development Department (or Commission), Commerce and Development, Economic Council, Agricultural and Industrial Board, Resources and Development, Conservation and Economic Development, Development and Publicity Commission, and Industrial and Publicity Commission.

Although the titles of departments vary, there is a degree of uniformity in the objectives of the various states. The broad purpose is to promote the economic growth of the state. The common aim of attracting tourists appears to have been an early spur to activity on a statewide basis. Development of agriculture or sale of products appears frequently as a stated objective. Recently, industrialization has received special emphasis.

## Wide Variation

In details, important variations appear in the philosophy back of the enabling laws, in the avowed objectives of administrators, and in the machinery for accomplishing desired ends. Missouri, for example, pursues a policy of state encourage-

### *In Connecticut . . .*

THE future industrial growth of Connecticut was discussed last spring at a Connecticut Bankers Association Directors' Conference. It was emphasized that bankers must provide direction and leadership for such growth.

Joseph A. Erickson, president, Federal Reserve Bank of Boston, said: "We [bankers] must be seriously concerned with devising and maintaining an economic climate which will stimulate growth, and we must provide the proper financing to maintain such growth."

Financial facilities should be such as to encourage and facilitate the growth of establishments to provide an ever-expanding number of jobs for the state's workmen, he said. Bankers should participate positively in community planning; should facilitate, by sound financial advice, the entry of new firms into business; should strive to find out more about the characteristics of the new entrepreneur; should examine the area of unsatisfied need for venture capital; and should support the activity of development credit corporations.

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ment of activities at the local level. The state's literature accordingly provides instructions on how the community can organize for effective work and the law provides for financing of local development corporations. Maine also exemplifies state encouragement of local activities.

Some indication of the scope of activities by state governments is indicated in the tabulation of state budgets on this page.

While these figures reflect actual outlays by the states, they by no means reveal the total cost of all activities carried on for the purpose of promoting these states. In many instances private contributions supplement the state's outlay. For example, 90% of the cost of an advertisement run by the State Planning Board of Montana was paid by private industry. In practically every state individuals and firms contribute time and absorb expenses of travel and other promotional and developmental effort.

#### The "BAWI" Plan

Mississippi provides for the well-known "Balancing Agriculture with Industry" (BAWI) plan, whereby localities may issue industrial bonds to finance new plant construction or expansion. The state also provides for tax exemption on expanded plants and new construction. Louisiana follows the Mississippi plan.

New Hampshire is distinctive in that its industrial park authority exists solely for the purpose of financing industrial parks. Delaware supplements its state development department with a corporation—Industrial Committee, Inc.—with the function of raising funds for industrial development.

Several states report inadequate financing or absence of appropriations to carry out the objectives laid down in existing legislation. Washington, for example, resorted to voluntary services of committee members and depended on staff members loaned from other agencies to carry on its activities.

#### Wider Areas

*Regional and National:* Activities of the New England Council, the cooperative efforts leading to a book on industrial resources of the South, and a study of the entire White River and Red River basins, spon-

(CONTINUED ON PAGE 124)

### Promotion Budgets of State and Territorial Governments

(1954-55 or 1955-56 Fiscal Year)

Rank	State	Amount	Rank	State	Amount
1	Florida .....	\$ 1,000,000	25	Minnesota .....	176,500
2	Hawaii .....	649,000	26	Colorado .....	175,000
3	Michigan .....	592,440	27	Tennessee .....	162,000
4	Massachusetts ..	548,799	28	South Dakota ..	138,250
5	New York .....	525,000	29(T)	Alabama .....	110,000
6	Kentucky .....	501,000	29(T)	Puerto Rico .....	110,000
7	Pennsylvania ..	498,000	31	West Virginia ..	108,433
8	Maine .....	373,000	32	New Hampshire ..	103,900
9	New Mexico .....	350,000	33	New Jersey .....	103,250
10	Louisiana .....	300,000	34	Nevada .....	100,000
11	Arizona .....	297,500	35	Ohio .....	88,192
12	North Carolina ..	293,484	36	Connecticut .....	86,696
13	South Carolina ..	289,500	37(T)	Iowa .....	80,000
14	Oregon .....	275,000	37(T)	Utah .....	80,000
15	Wyoming .....	262,500	39(T)	Alaska .....	75,000
16	Georgia .....	258,500	39(T)	Arkansas .....	75,000
17	Rhode Island ..	257,056	41	North Dakota ..	72,000
18	Wisconsin .....	253,100	42	Indiana .....	69,000
19	Washington .....	247,500	43	Montana .....	65,000
20	Vermont .....	216,500	44	Nebraska .....	60,000
21(T)	Mississippi .....	200,000	45	Oklahoma .....	51,000
21(T)	Virginia .....	200,000	46	Delaware .....	50,050
23	Kansas .....	195,872	47	Maryland .....	35,100
24	Missouri .....	176,600	48	Illinois .....	30,000
TOTAL .....					
\$11,005,722					

Primary sources for the above figures are surveys conducted by the Curtis Publishing Company and *Western Advertising* magazine. Some states have reported only amounts going into direct advertising without regard to administrative and other costs. Contributed time and expense are not included. Hence, a number of the above amounts are undoubtedly smaller than would be reflected if total appropriations were stated.

#### In Kansas . . .

THE industrial future of Kansas was one of the topics on the program, last June, of the Bank Management Clinic of the Kansas Bankers Association. It was discussed by Dr. Charles N. Kimball, president of the Midwest Research Institute, Kansas City, Mo. Dr. Kimball said, in part:

"Let me summarize briefly: We are in the midst of a tremendous technological change. Communities have to adjust to this change or suffer an economic decline. A progressive community must be ready to adjust its habit patterns, its concepts and its activities to keep abreast of a changing economy."

"I suggest two methods whereby this can be accomplished: The first involves closer contact with and understanding of the world of science. Communities must provide themselves with skilled professional people to help solve their basic economic problems. Secondly, communities must have available the necessary funds to stimulate and sustain economic growth. The smaller community cannot provide such funds from its own resources. Therefore, I put forward the suggestion that the banks in each Kansas region, and I understand there are about seven such distinct regions, establish pools for the purpose of assisting economic development. A special committee of the Kansas Bankers Association should be established to meet quarterly with Kansas Industrial Development Commission and Midwest Research Institute to implement the state and regional economic development programs."

# *The Directors' Viewpoint on* **INVESTMENT POLICIES**

HERBERT BRATTER

BANKING'S series of directors' articles continues this month with MR. BRATTER'S discussion of investment policies. The four articles already published and those yet to be published—a total of 12—will cover the entire range of directors' interests. MR. BRATTER, writing from Washington, has enjoyed the close collaboration of the bank supervisory agencies there in his preparation of this material. In the case of the article which follows, the staff of the FDIC was particularly helpful.

No matter what guides are used, a bank's investment policy as reflected in its portfolio is inescapably the responsibility of the board of directors, even though authority for specific transactions must be delegated to someone else. The management of a bank's investment portfolio involves highly technical considerations which are usually beyond the competence of the average board member. Nevertheless, since the board is responsible for formulating over-all investment goals and policies, even though assigning their execution to others, the board should have a basic understanding of the purpose and nature of bank reserves, the principles of investment in the light of banking's special needs, the nature and impact of the money market, and the types of assistance available to carry out the bank's policy.

## **Reading Suggestion**

A bank director may get a good start on this subject by reading the appropriate chapters of the American Institute of Banking's *Bank Administration*, published by the A.B.A. in 1952, and Roland I.

Robinson's *The Management of Bank Funds*, published by McGraw-Hill Book Co. in 1951. As on other phases of banking, available reading matter is extensive. Investment policy is much more important today than once was the case. Before World War I few commercial banks ever bought securities except as collateral for national bank notes. With the slackening of loan demand and the attractive yields of securities during the 1920s, banks did not always enter the securities markets wisely. Bank investments later expanded, due to the dearth of loans during the depression, the need to employ reserves swollen by the large gold inflow of the 1930s, and the necessity to buy large quantities of Government securities to finance World War II. Today the size of investment holdings, their large contribution to bank earnings, and the vulnerability of capital funds to even small percentage declines in portfolio values make wise investment management essential for every bank.

## **Secondary Reserves**

In addition to primary cash reserves with which we are not here concerned, banks need secondary reserves of various degrees of liquidity, depending upon the ends they are intended to meet. Pending the need for their use, secondary reserves serve as a source of income for the bank. But, for the reason mentioned above, the securities in which secondary reserves are invested may not be of such a nature as to be subject to substantial shrinkage in value. This is why Federal Government and municipal securities form the greater part of bank investment portfolios. Thus,

of the nearly \$79-billion of securities held by insured commercial banks on June 30, 1955, some \$62-billion were direct and guaranteed U. S. Government obligations and \$12½-billion were obligations of states and subdivisions.

## **Correspondent Help**

Not even Government securities, however, are entirely free of price fluctuation; hence the successful management of a bank's portfolio requires a degree of money-market skill and knowledge which the small bank's officers and directors cannot be expected to have. The deficiency may be overcome by the use of the services of correspondent city banks, whose compensation derives from the balances kept with them by the country banks, or by the employment of professional investment counsel for a fee.

## **Cash Needs**

Since banks must discharge their liabilities in cash, their invested reserves should be staggered as to maturity in order to insure their availability when needed. For cash needs, which are likely or certain in the near future, the corresponding reserves should be invested with maximum liquidity in mind. This means the use of immediately marketable obligations of top quality and of such early maturity that their sale before maturity will not involve more than trivial losses. This purpose was once served by commercial paper, bankers' acceptances, and stock exchange call loans, but these investment media are no longer available in adequate quantity and have been largely replaced by short-dated U. S. Treasury obligations. For less proximate or predictable

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cash needs, secondary reserves may be invested in longer-term notes and bonds.

A bank's investment portfolio needs to be tailored to its own needs. Larger banks are in a better position to use portfolio operations as a source of income than smaller banks, since they are more likely to have trained personnel with knowledge of the money market. Smaller banks may well restrict their secondary reserves to shorter-term Government securities. The size of the secondary reserve should be determined after considering the effect of seasonal fluctuations on primary reserves, expected longer-term deposit trends, and possible emergency demands. Loan policy has an important bearing. A loan portfolio containing substantial real estate and other long-term loans may call for larger secondary reserves than otherwise.

#### Set Down a Policy

Each bank must determine its investment program in the light of its income, liquidity, and flexibility requirements, with safety and maximum flexibility occupying first place. The directors cannot be expected to work out an investment program. This should be done for them, either by the bank's staff or, as suggested above, with outside assistance. It should be put down on paper, setting up standards of general policy, to be approved by the directors and carried out by their agents. A sample investment program is included in Roland I. Robinson's book. It sets forth the program's goal, the size of the portfolio, its quality, maturity, diversification, trading rules, treatment of profits and losses, supervision, and review.

#### For Example—

The sample cited states as the goal the ability to convert at least half of the investment account into cash within one year without suffering material losses. It states the percentages which shall normally be held in U. S. and municipal securities and the minimum grades of other securities which may be used. Maintenance of current analysis of the latter is required. The maximum maturity of portfolio investments and staggering are specified, with the percentage of the whole to mature in each year. Industrial and geographic diversification of the

nongovernmental issues in the portfolio is required, the number of such securities is limited, and the standard commitment in each one is set down.

#### Trading Operations

The sample investment program also fixes the amount of the trading account and states who shall operate it. Policies and results of trading operations must be reported to the board at each regular meeting. Until the special valuation reserve account reaches a specified percentage of the investment portfolio, profits and losses from the portfolio's operation must be credited or debited to that account. The program also names the person who will have general supervision of the investment portfolio and regularly report thereon to the directors. Provision is made for the directors to review the program as often as necessary, but not less often than annually.

#### Who Does the Job

Such a program sets out guideposts for those authorized to carry it out. To do this, large banks have investment departments. Smaller banks delegate the responsibility to an active and preferably full-time officer. In most large banks, investment operations of the trust department are completely separate from those of the banking department. In small banks where this separation is not possible, special safeguards are necessary. Banking departments may not sell securities to their trust accounts.

Use of outside investment advice by banks is general. Many smaller banks, as mentioned, depend on their correspondent banks for in-

vestment guidance. Some banks prefer to use the services of special counselors which offer excellent supervision of the portfolio geared to the bank's particular needs. Such supervision has the advantage that it is continuous and is generally under the care of one person who occasionally visits the bank to confer personally with officers and directors. Specific recommendations for buying and selling securities are made. An organization equipped to offer supervisory service and doing a large volume of business will have facilities that the average small bank cannot possibly afford.

#### Earnings Opportunity

Unquestionably, with more skillful portfolio management, many of this country's 14,000 banks could significantly add to their earnings. With the money market, and hence securities values, subject to seasonal and cyclical economic pressures and the influences of central bank policies and Treasury financings, the best employment of a bank's secondary reserves entails something more than just buying Government and municipal obligations of varying maturities and putting them away until they are needed or mature. It involves keeping abreast of changes. It calls for an awareness of the pros and cons of tax exemption vis-à-vis yield, which varies according to the tax bracket in which a bank finds itself. It means drawing a fine line between the need for income and that for liquidity. It requires constant supervision by someone and periodic review by the directors, who must set the course and objectives and modify them as changing circumstances dictate.



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# Survey Shows U. S. Families in Mood to Spend on Homes

A BRIGHT prospect for activity between now and February 1957 in practically every area of the building industry is indicated by a new national research study, *Survey of U. S. Markets, 1956*, conducted by Alfred Politz Research, Inc., under the sponsorship of LOOK Magazine.

The survey provides the building and related industries with marketing information on consumer plans for buying or building new homes,

and on specific types of home improvements under consideration by the nation's households.

For example, the survey shows that 4,500,000 U. S. families are seriously considering buying or building a home by February 1957—and of these, 2,250,000 said they were thinking in terms of a newly built home, while only 1,200,000 said they believed they would purchase a house lived in before. Approximately 1,

050,000 families were still on the fence as to whether the house would be new or previously occupied.

Further figures reveal the extent to which families are actively on the hunt for desirable properties. According to the survey, someone in 2,650,000 households consulted a real estate agent during the period from November 1, 1955, through January 1956 in connection with buying a home—and 19,050,000 individuals visited a new model home in the same three-month period.

## Roofs, Interiors, etc.

Regarding improvements to homes already owned, the projects under consideration include new roofs, remodeling and finishing interiors, painting, papering, and new floor coverings.

Painting or papering of one or more rooms forms the largest single category of home-improvement plans under consideration during the coming year. The survey indicates that 9,550,000 householders have such projects in view. Also of interest to the paint industry is the fact that an additional 6,500,000 families are seriously considering a paint job for the outside of the house.

In the realm of major construction requiring lumber, cement, shingles, insulation, plaster or similar building materials, a total of 5,700,000 home-improvement projects are under consideration. Broken down into various classifications, the LOOK-Politz survey indicates the following market potential prior to February 1957: a new roof is being seriously considered by 1,500,000 home-owning families; a room partition by 450,000; the addition of a room or rooms by 1,300,000; combining rooms by 400,000; finishing the attic by 600,000; and finishing the basement by 1,450,000.

## Floors, Too

Floors and floor coverings of various sorts account for another large number of home-improvement projects under consideration for the coming year.

All told, the survey shows that a total of 14,700,000 U. S. families are planning one or more improvements in the homes they already own.

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# Magnetic Ink Character Recognition

## *The Common Machine Language for Check Handling*

*The Bank Management Commission of the American Bankers Association on July 21 approved a recommendation for the adoption of magnetic ink character recognition as the common machine language most suitable for check handling. This recommendation was made by the Technical Subcommittee on Mechanization of Check Handling.*

*The Subcommittee's report, published herewith,*

*is regarded as one of the most important banking developments of recent years.*

*After considering all the factors which were presented, the Commission approved the report and authorized its dissemination to the membership of the American Bankers Association and to the machine manufacturers and check printers interested in this project.*

SINCE the formation of the Technical Subcommittee, we have attempted to study all phases of the problem of check mechanization. While we have been extremely active in the study of specific hardware and systems analysis, it became obvious, very early, that the basic matter for consideration was that of a common machine language.

Regardless of the size of the bank involved, or the magnitude of equipment required, one fundamental source from which machines of all manufacture could derive the pertinent data contained on a check, is a common machine language.

It is in this area that an objective and impartial body, away from the interests of specific manufacturers could provide the greatest amount of assistance. This Subcommittee has tried to be just such an instrumentality in the solution of this problem. Today, after many man hours and considered thought, we are ready to recommend to you the one which, in our opinion, is the best common machine language.

### **ACTIVITY OF TECHNICAL SUBCOMMITTEE**

THE Subcommittee on Mechanization of Check Handling was appointed on April 5, 1954, and its first meeting was held in New York on May 4, 1954, at which time the Subcommittee was briefed on the prob-

lems, the objectives and the program. It was agreed that two presentations should be made up, one to go to the manufacturers and another to operating men in banks. A letter dated May 21, 1954, and statement of the problem, objectives and program, as outlined by the Committee on Mechanization of Check Handling of the Bank Management Commission, was sent to key operating men asking for suggestions and their general reaction to the program. A questionnaire was also enclosed requesting various statistics in connection with the check handling problem.

On May 27, 1954, a letter and supplementary questionnaire were sent to key operating men of the Bank Management Commission. This questionnaire was in clarification of the original questionnaire of May 21, 1954.

Over a period of several months, a brochure called "Automation of Bank Operating Procedure" was prepared, to be released to manufacturers and to others who might wish to become manufacturers of mechanical, electromechanical, or electronic bank and office equipment. This brochure was released with a letter from Homer J. Livingston, then president of the American Bankers Association, on January 7, 1955, to 75 companies, who, the Subcommittee felt, might be interested in the project.

A letter dated January 19, 1955, and a copy of the brochure were sent to all banks with assets over \$50,000,000.

On April 25, 1955, a follow-up letter was sent out to 60 organizations that had not sent in an acknowledgement to confirm their interest in the project. This follow-up letter, signed by the Commission secretary, elicited a few more replies. Of the 75 organizations to which the original brochure was sent, 13 indicated a desire to participate in the project.

The Subcommittee received an invitation from Burroughs Corporation, The Todd Company, and Addressograph-Multigraph Corporation to see the equipment they had developed and discuss their thoughts on the problem. The meeting was held in Rochester, N. Y., on May 10, 11, 12, 1955. In addition to the meeting with Burroughs, Todd and Addressograph, and The Standard Register Company, Incorporated, the Subcommittee had discussions on a common language. It was decided to send a letter, dated June 13, 1955, and questionnaire, covering a common machine language to the 13 companies which had evidenced interest in the work of the Subcommittee. This questionnaire attempted to ascertain the preference of each company and their reason for the selection.

During the summer C. M. Weaver,

then assistant vice-president, First National Bank of Chicago, who had made a major contribution to the original brochure and subsequent questionnaire on common language, retired from his bank and from the Subcommittee. At this time David H. Hinkel, assistant secretary of the First National Bank of Chicago, and Raymond C. Kolb, assistant vice-president, Mellon National Bank and Trust Company of Pittsburgh, were added to the Subcommittee.

A meeting was held in New York on November 16, 17, 18, 1955. At this time visits were made to the International Business Machines Corporation plant at Poughkeepsie, N. Y., and the Pitney-Bowes research laboratory at Stamford, Conn. On these plant visits, existing equipment as well as projected equipment and procedures were discussed with these organizations.

### West Coast Meeting

The next meeting of the Subcommittee was held in Los Angeles on December 4 and 5, 1955, where it reviewed the Telemeter project of the International Telemeter Corporation. It moved to San Francisco on December 6 and reviewed ERMA and the character reader for travelers' checks and other equipment and procedure developed by the Stanford Research Institute at Menlo Park. At this meeting it was decided that sufficient information had been developed about common language to justify a meeting with printers to see how they would fit into the program.

On January 16, 1956, the first progress report of the Subcommittee signed by John A. Kley, chairman, was submitted to the Bank Management Commission. This report appeared in the February, 1956, issue of *BANKING*.

A meeting with the Lithographers National Association was arranged in New York. The Subcommittee presented the problem of check handling and the need for a common machine language with technical aspects and impact on check design and printing. A part of one day was devoted to an outline of check handling routine as developed by the International Standard Trading Corporation. A meeting was held with John H. Wurts and Herbert H. Kimball, vice-presidents of the Federal Reserve Bank of New York, and liaison representatives of the Fed-

### Technical Subcommittee on Mechanization of Check Handling of Bank Management Commission, American Bankers Association



*Seated, left to right:*

A. R. ZIPF, assistant vice-president, Bank of America N.T. & S.A., San Francisco.

JOHN A. KLEY, vice-president, The County Trust Company, White Plains, N. Y., *chairman*.

WILLIAM W. COTTLE, vice-president and cashier, Security-First National Bank of Los Angeles, chairman, Bank Management Commission.

*Standing, left to right:*

DAVID H. HINKEL, assistant secretary, First National Bank of Chicago.

L. A. ERICKSON, vice-president, First National City Bank of New York.

HERBERT R. COREY, vice-president, First National Bank of Boston.

RAYMOND C. KOLB, assistant vice-president, Mellon National Bank and Trust Company, Pittsburgh.

MELVIN C. MILLER, deputy manager, American Bankers Association, New York, *secretary*.

eral Reserve System. Another part of the day was spent with representatives of Intelligent Machines Research Corporation, which company has developed a number of character readers. These meetings were held on January 25, 26, 27, 1956.

Chairman Kley and A. R. Zipf met with representatives of the Federal Reserve System in Dallas, Texas, on February 20, 1956. At this time the philosophy of common language was covered. All of the Federal Reserve banks and the Board of Governors of the Federal Reserve System had representatives present.

Another meeting was held in New York on March 8, 9, 10, 1956. With the background and knowledge gained from talking to the lithographers and the visits made to various manufacturers during 1955, it was decided to review the progress, present status and future plans of the manufacturers, with particular reference to common language. At this meeting, discussions were held with engineers and other representatives of Burroughs, Todd and Addressograph, International Business Machines Corporation, The National Cash Register Company, Pitney-

Bowes, Incorporated, Sperry Rand Corporation, and the Stanford Research Institute. As a result of this meeting, the Subcommittee decided to attempt to set up some criteria for evaluating common languages. A research survey, for Todd Company, made by the Battelle Memorial Institute, covering evaluation of the Burroughs-Todd Fluorescent Check-Coding System was also reviewed by the Subcommittee.

On May 11, 1956, a letter and progress report of the Subcommittee were sent out to member banks of the American Bankers Association over the signature of William W. Cottle, chairman of the Bank Management Commission.

#### Other Sessions

Another meeting was held at Philadelphia and Paoli, Pa., with the Burroughs and Todd representatives on May 13, 14, 1956. They reviewed the latest equipment and procedures developed at Paoli, as well as the newest developments in fluorescent coding. The Subcommittee then moved on to Dayton. A part of the day on the 15th was devoted to the International Business Machines Corporation representatives and some of their most recent findings on coding. On May 16 and 17, meetings were held with The National Cash Register Company and Pitney-Bowes, Incorporated, representatives to bring the Subcommittee up to date on their progress and projected equipment as well as the latest developments on fluorescent coding.

On June 28, 29, 30, 1956, the Subcommittee met at Palo Alto, Calif. A visit was made to the Stanford Research Institute to see the latest developments in magnetic character reading and check processing. Meetings were held with the representatives of Stanford Research Institute and the General Electric Company, the latter having purchased ERMA and its component units.

#### Letters and Contacts

In addition to the meetings outlined briefly above, there has been a large exchange of correspondence with manufacturers about various phases of the problem. Also, each member of the Subcommittee has met with individual manufacturers and others who could contribute to the general fund of knowledge relative to the work of the Subcommittee.

## DESCRIPTION OF MACHINE LANGUAGES

A STUDY was made of all the existing language mediums available. A description of them follows:

### "Slave" or "Carrier"

In the booklet entitled, "Automation of Bank Operating Procedure," the opinion was expressed that a "slave" or "carrier" was less desirable than a language printed on the check itself. Nevertheless, these possibilities were fully considered.

These systems contemplate the coding of information into the slave or carrier during an early, if not the first bank processing operation. The slave or carrier systems include:

(1) The attachment of a punched card to each check.

(2) The wrap around—in which information is coded in a punched card and the check is wrapped around the card for sorting and processing.

(3) The envelope system—in which each check is placed in an envelope of uniform size.

(4) The punch tape tab—in which a coded tab is attached to each check.

Of these four, development is proceeding on only the last two. It is appropriate, therefore, to elaborate upon these two systems.

**The Envelope System**—Contemplates the automatic enclosure of the check into a plastic or mylar envelope of uniform size, which contains a small strip of magnetic tape upon which information is coded in a fashion analogous to conventional magnetic tape recording. Once the information is recorded during an early bank operation, all subsequent operations become automatic, including the removal of the check from the envelope following processing. This system, which is under prototype development, has not been demonstrated but has been described to the Subcommittee.

**The Punch Tape Tab System**—Requires the automatic attachment, by a thermal adhesive, of a piece of punch tape of uniform length to each check as a by-product of a now necessary proof operation. In addition to the amount, other information such as A.B.A. number or account number may be encoded into a tab containing guide rod holes for auto-

matically positioning checks in cartridges for subsequent handling. The tab may be automatically removed during the last operation. This system is now in laboratory operation running with very limited numbers of "live" checks. The Subcommittee has witnessed some components in actual operation.

### Noncarrier Systems

All of the noncarrier language systems involve some form of printing of machine readable language onto the check itself. These systems may be classified as follows:

- (1) Codes or patterns, printed with:
  - (A) Fluorescent ink (invisible)
    - (1) Binary or bar coded
    - (2) Spot code (decimal system)
  - (B) Magnetic ink (visible)
    - (1) Miniature bar codes on check face
    - (2) Large bar codes on check back
- (2) Arabic characters
  - (A) Conventional printer's ink
  - (B) Magnetic ink

All of these systems contemplate printing (in machine language) the customer account number, A.B.A. number, routing symbol and in some cases check serial number on the checks prior to original delivery to the customer. This we refer to as "preprinting." They also contemplate printing, on each check, the amount and other information as a by-product of the proof operation. The possibility of having information encoded on some checks as part of the writing process is also conceivable. This we call, "postprinting."

### Codes or Patterns

**Fluorescent Inks**—For machine reading of fluorescent ink codes, the check is irradiated with black light (ultra-violet) as it passes through the reading head, and the printed ink spots fluoresce so that a signal is induced in the reading head. Our studies show that excessive ink from tellers or endorsement stamps, as well as other extraneous substances placed over the spots tend to cause wide fluctuations in signal strength.

To mitigate this problem, it is common to print relatively large spots and to design the system to operate at signal levels generated from as little as 1/10th of the printed spot.

The distance between spots or bits of information decreases as a function of the size of the printed spots and the amount of information required to be coded on an individual item. The tolerance in printing, cutting, perforating, reading, and the angular displacement or skew of each of them becomes largely a function of the distance between spots.

**Binary or Bar Code**—This system employs one variation of the binary code common in computer design. It employs uniform fields in which to code the necessary information. The coding system provides for a total printing, cutting, and perforation tolerance of  $1/10$  of an inch, plus or minus.

It is stated that an additional tolerance of .075 is available in machine reading but that angular displacement or skew will dissipate some of this tolerance. Reading is accomplished in serial fashion, or one digit at a time. The Subcommittee has witnessed a laboratory demonstration of these reading techniques.

**Spot Code (decimal system)**—In this system spots  $\frac{1}{8}$  of an inch square are printed in a decimal pattern. The presence of a spot in a given area indicates the presence of a digit and the position of the spot within the area identifies the value of the digit. There are 13 areas on the check for different classes of information. In 11 of the areas the identity of the digit is established from one edge; in two of the areas it is established from one side. Total printing, cutting, and perforating tolerances given for this system are  $1/64$  of an inch. Reading may be either serial or parallel.

The Subcommittee has witnessed a laboratory demonstration of the reading system.

**Magnetic Ink**—In machine reading of magnetic ink code, the code bits are magnetized before they pass through the reading head so that signals are induced in a manner somewhat similar to normal magnetic tape devices. To the naked eye the printing quality cannot be distinguished from conventional printer's inks. Ink colors are presently somewhat limited and drying qualities are slightly slower than for conventional inks.

However, little effort has yet been expended in these areas and there is virtually a unanimity of opinion that neither problem is unsolvable.

The Subcommittee has witnessed demonstrations of accurate reading by a variety of processes even when the printing was totally invisible to the naked eye. These systems also make provision for obtaining the required signal from only a portion of the individual code bits.

**Magnetic Bar Code Printed on Check Face**—This system requires the presence of some combination of six miniature bars to represent each digit. The Arabic equivalent is printed above the code. The codes are printed eight to the inch with the over-all vertical height of the code, including its Arabic equivalent, being approximately  $11/16$  of an inch. The distance between the miniature bars is about  $12/1000$  or  $1/80$  of an inch.

The Subcommittee witnessed a laboratory demonstration of this reading technique.

**Large Bar Code Printed on the Back of Checks**—This system employs a binary code requiring the presence of two bits of information, from a total of five, to represent each character. Printed seven to the inch, each code, with its Arabic equivalent, requires two inches in the vertical direction. The bars are spaced  $\frac{1}{8}$  of an inch apart to achieve the widest tolerances of any of the pattern systems. Its size precludes printing any place but on the back of the check thus requiring a two-side printing operation.

This system has been in successful but limited productive operation for more than six months, with various-sized checks passed through the usual banking channels that were first printed by some 53 different printers. The Subcommittee has witnessed a demonstration of this technique.

#### Arabic Characters

**Printer's Ink**—Character recognition of information printed in conventional printer's ink employs the use of optical reading techniques. While there are a variety of such techniques, in principle they employ some form of scanning device which differentiates between light and dark to determine optically the shape of a character. Thus a blot of ink, a pen stroke, or a teller's stamp impression on any character will very frequently cause a reject. While it may be possible virtually to "design out" errors, it appears that such design may be prohibitively expensive.

The light absorption qualities of paper and the contrast of printing to background are also factors which present design and operating problems in this technique. While this is the most classical system, there is reason to believe that the degree of mutilation and defacement to which checks are subjected in the normal collection channels makes it impractical, from a standpoint of reject and possible errors, for some time in the future. Its dimensional tolerances are greater than any of the code systems.

Individual members of the Subcommittee have witnessed variations of this technique in operation.

**Magnetic Ink**—This technique in principle employs the salient features of both character and pattern recognition. Data are printed in Arabic characters in almost conventional style except that magnetic inks are used. Printing in magnetic ink overcomes problems of obliteration and mutilation which belabor optical character recognition systems and the close tolerance requirements of pattern systems. Hence the system offers all the advantages of both systems.

The Subcommittee has witnessed a laboratory demonstration of these techniques.

### PRINCIPAL FACTORS CONSIDERED

THERE are many factors to be considered in establishing the basis for evaluating the various machine languages which have been suggested for encoding information on checks. Before proceeding with the selection of a common language, it would perhaps be well to consider a bit more in detail the more important of these factors.

**Accuracy**—The accuracy with which data may be encoded on checks and subsequently read by both machines and humans is of paramount importance. Accuracy, in this instance at least, can be best measured by two factors: (1) the error rate—the number of items which the machine will read incorrectly; and (2) the rejection rate—the number of items which the machine will discard as not readable. From the beginning the Subcommittee has pointed out that every check must be rejected where there is a failure of accurate reading. A fractional percentage of rejection is to

be anticipated but we must insist upon accuracy once the check has been accepted by the machine. Were it otherwise, the expense of isolating and correcting errors could substantially reduce the savings to be found in automation.

The rejection rate varies somewhat among the various machine languages which have been suggested.

We had hoped that this rate would not exceed  $\frac{1}{2}$  of 1%, or one item in every 200 processed. Happily, it now appears conceivable that this rate may be improved, perhaps by a factor of as much as 10—at least with respect to one language.

**Tolerances**—Tolerances, that is, the variations in the distance from one or more edges of the finished check to the encoded information which is to be read mechanically—must be reasonable. Quite extensive studies of checks presently used throughout our banking system have been made, and meetings with check printers to discuss this problem have been held.

These studies and discussions with the check printers covered the three major factors in check printing which affect tolerances—printing itself, and perforating and cutting the paper.

The preciseness with which the check imprinter must place the encoded information upon the checks, and cut or perforate them, will determine to a considerable extent whether he can economically imprint them upon his present equipment, or whether he must obtain and install new and more expensive equipment. Some codes require a far greater degree of accuracy on the part of the check printer than others. While many of the printers agree that this higher degree of accuracy can be attained, they have indicated that it will substantially increase the cost of check imprinting.

To the preciseness of placing the encoded information on the check is added the problem of the accuracy of cutting and perforating the check once it has been printed. Since either cutting or perforating the check defines the edge, variations in these operations have a cumulative effect on the distance from the edge, or edges of the check to the encoded data.

Inaccuracies in printing, cutting and perforating, as they are done

today, add to greater tolerances than those permitted by some suggested languages.

In addition to the above tolerance factors, postprinting of the amount, and any other related information (in a fixed location on the check within the tolerances required by the language) present a problem to the banks and manufacturers of the equipment. The preciseness with which the checks must be positioned in such equipment, in sorting equipment which will be used to sort them, and reading equipment used to read them, will have a material effect upon the cost of the equipment, as well as upon the dependability and accuracy which may be realized in its use.

Our studies have convinced us that tolerances should not be less than plus or minus one-eighth of an inch.

**Printing**—Automatic check handling, in any of its forms, will require each bank to encode all checks used by its customers. Since machine manufacturers are developing a variety of systems designed to accommodate the smaller banks, as well as the larger ones, any code or language selected must not only fulfill the requirements of the entire banking industry, its customers and the machine manufacturers, but it must also be one that check imprinters can handle on a practical and economical basis. The cost of such imprinting will be a major factor in determining the feasibility of adopting any automatic or semiautomatic procedure. Presumably a substantial number of the banks will feel that they are obligated to assume the major portion of the cost of imprinting the prequalified data.

This cost may be substantially influenced not only by printing tolerances, but also by the use of special inks or a code that requires double runs or two different printing heads—one to imprint Arabic data on the check and the second to imprint the check with the coded information.

There are other factors to be considered—such as the durability of the printing, whether the accuracy of the printing is readily determinable, whether special equipment may be required for verification procedures, and whether the coded information is susceptible to obliteration or mutilation during the processing of the checks. It may be

noted here that both check printers and banks are much more familiar with handling checks where such data as the transit numbers, routing symbols, check number, and customer's account number (particularly with respect to special checking accounts) are encoded on them in the form of Arabic characters, than they are with any other form of coding.

**Customer Acceptance**—Customer acceptance of the encoded check will depend considerably upon the appearance of the check itself, the ease with which it may be prepared on present office equipment, and the ease and convenience with which it may be read and verified by the customer. In respect to the latter point, it may be well to note that if the coded data are readily understandable by our customer, it may well serve to eliminate or at least reduce problems inherent in reconciliation procedures. If public acceptance were the only consideration in evaluating the various languages, then perhaps we would lean most heavily upon that manner of encoding which would in no way affect the present appearance of the check. Since this is not the case, however, we must carefully evaluate all of the advantages and disadvantages of each of the proposed languages and select that which will best enable us to render the most accurate and the most economical service to our customers.

**Verification**—The language selected should be one which will permit the check printer, in the first instance, to readily verify his accuracy. Similarly, it should permit each processing bank to verify readily the accuracy of the validation of amount and other data subsequently added in the automatic system.

The transition to mechanization will take place over an extended period, during which a language compatible with human recognition will be of inestimable value in manual procedures. Last, but not least, the language should be susceptible to ready interpretation by customers of the bank, and by personnel of the bank who are not necessarily trained in the automatic processing itself. Thus, since it is essential that any encoded information be humanly understandable, it must be written in Arabic as well

as in a pattern, unless the Arabic characters themselves are to be read by machines.

**Costs**—Costs must be carefully considered, not only in connection with the paper stock to be used, and the printing of the checks themselves—to which we have already referred—but also in connection with the processing equipment which banks will need to handle the checks. The cost of printing, encoding and processing equipment will be based upon the following factors:

- (1) Permissible tolerances in positioning the paper
- (2) Types of inks required
- (3) Number of printing runs required
- (4) Whether decoding equipment is required for verification purposes
- (5) Variations in thicknesses of paper stocks and check sizes
- (6) Nature and extent of the circuitry required to read and to interpret the encoded data.

**Format**—The format of the check must be such as to accommodate the information which must be encoded, regardless of the language selected. This information is of two types—that which may be prequalified, or preprinted before the checks are given to the customer, such as the account number, the bank transit number, the routing symbol, and possibly the check number (if similar automatic equipment is to be used to reconcile checks), and that which may be imprinted by the banks during processing, such as the amount, a transaction code to differentiate between debits and credits, etc., and a date or block identification number. An area must be reserved in the same location on all checks, regardless of size, for each of these items, if they are to be processed automatically throughout the banking system. The size of each field—that is, the maximum number of characters of information to be accommodated—may have to be fixed, as well as the location.

Certainly this is true of such data as the amount, etc., if various banks are to validate each other's checks.

Careful thought has been given to the possibility of placing encoded data upon the reverse side of the check. Because of the additional costs of printing in this manner, and the difficulties inherent in turning checks over to read or verify data so printed, this plan has been re-

jected. It follows, then, that it will be necessary to make some alterations in the present format of our checks. Space requirements of some of the language patterns have a material effect on the degree of such changes, and actually limit the minimum sizes of checks that may be used.

**Mutilation and Obliteration**—The susceptibility to mutilation and obliteration will have a material effect upon the error and rejection rates in processing checks. This can be a most important point, since, as we have experienced with punch card accounting systems, a high mutilation or rejection rate can defeat the objectives which we hope to gain through the introduction of automatic equipment. It can lead to a stream of exceptions which must be handled manually. Therefore, the language that is selected must be one where the inks used are durable, where the reading accuracy of the equipment will not be influenced by foreign markings or substances which are subsequently placed upon the check by the customer or banks during processing, or to which checks are exposed when they are in the hands of the public. The ideal language is one which, so far as the reading equipment is concerned, cannot be altered by pencil or ink markings, adhesive stamps, mending tapes, and exposure to such foreign substances as oils and greases.

It is hardly practical to attempt, in this report, to enumerate all of the factors serving as a basis for the evaluation of a common machine language for the electronic processing of checks. The Subcommittee, for more than two years, has been studying all of the ramifications and technicalities involved in such an evaluation. Since to itemize all the points that were considered would materially increase the size of this report, we have, in the interest of brevity, confined ourselves merely to outlining briefly the more important factors which were given the most careful attention.

### REASONS FOR SELECTING MAGNETIC CHARACTER RECOGNITION

AFTER very careful consideration of all the factors involved, the Subcommittee respectfully recommends the adoption of magnetic ink character recognition as the common

language most suitable for check handling.

Following are the Subcommittee's findings with respect to the principal factors which were considered in the evaluation of the common machine languages.

**Accuracy**—The Subcommittee has attended sufficient laboratory demonstrations to convince it that magnetic ink characters of approximately typewriter size are capable of being read at least as accurately, both as to error rate and rejection rate, and as fast as any other language which has been suggested. Experiments to date have indicated an error rate of one in 100,000, and it is reasonable to expect that this rate will be further improved.

**Tolerances**—Printing tolerance requirements—including those for the actual printing processes, and for cutting and for perforating—are not as stringent using magnetic ink character recognition as they are with the other languages studied. In fact, the present state of the character-recognition art, as demonstrated to the Subcommittee, indicates that permissible tolerances of perhaps as much as plus or minus  $\frac{1}{2}$ " will be acceptable to the reading equipment.

Another serious printing tolerance—that of obtaining uniform ink coverage—has been demonstrated as solved by the development of reading equipment that will accept and recognize both lightly and darkly inked characters. This will prove to be a marked advantage in that it will permit a latitude in postprinting equipment needed to encode the checks with the amount and related data.

**Printing**—With the wide tolerances allowable under the magnetic ink character recognition system, both large and small equipment now used in the printing trade can be utilized for preprinting or prequalification purposes. Though a special ink is required, it is relatively inexpensive, and it permits printing the code in a single run.

As the use of magnetic ink is not necessarily restricted to the printing of the coded information, this language may permit an entire stock check to be prepared with one inking.

As to postprinting, or the affixing of additional information—such as dollar amounts—to checks after

their receipt at a bank, it has been demonstrated that present office machines—including the common typewriter—can be used to print magnetic ink characters with excellent reading results. This fact, combined with the wide tolerances in locating the encoded data and in the density of the inks used, minimizes the very serious problem of being able to postprint inexpensively information that will register correctly in the reading operation, and also be compatible with the preprinted information.

It should be noted that the accuracy of both preprinting and postprinting is readily determinable by orthodox methods, no special verification equipment being required as in the case of some of the other languages studied.

**Customer Acceptance**—Magnetic ink character recognition will require some changes in check format which will result in a change in appearance of the checks. In the opinion of the Subcommittee, changes in appearance which will result from the use of magnetic ink character recognition will not prove to be as objectionable as some of the languages studied. If due consideration is given to the ease with which checks may be prepared on present office equipment, particularly by customers who may wish to use new automatic equipment in processing and reconciling checks, and the ease and convenience with which the code may be read and verified by all, the Subcommittee believes that this language will prove to be the most acceptable of those studied.

**Verification**—The fact that the recommended language utilizes common Arabic numerals eliminates the need for correlating a code with printed characters. Verification of preprinted information is, for printers, exactly the same as any proofreading or other similar checking operation now performed. As to postprinted data, verification procedures will consist of reading or calling back as they do at the present time.

Although the other languages studied provided for the printing of the code in Arabic numerals for human recognition, as well as in the pattern required for machine reading, we have no assurance that variations will not occur between the Arabic character and its rep-

resentation in the code, which will result in errors that may be extremely difficult to locate.

**Costs**—Considering costs, proper emphasis must be placed upon operating expenses, as well as the capital investment for equipment. The Subcommittee in its studies has found that:

(1) The much wider tolerances permitted by magnetic character recognition will enable large and small printing concerns to continue to use their current equipment for the production of checks, thus eliminating the need for new and more expensive equipment and a high degree of precision in cutting and perforating checks. This will serve to minimize printing costs.

(2) Magnetic inks will be no more costly than other types of special inks.

(3) Checks may be imprinted in a single run and with one inking.

(4) No special decoding equipment is required for verification purposes.

(5) Variations in thicknesses of paper stocks and check sizes will be limited only by the mechanical devices required to handle the paper itself. The language used will have little or no effect upon them.

(6) While the nature and extent of the circuitry required to read Arabic numerals may be, in the first instance, somewhat more expensive than that used to read some of the other languages suggested, this additional expense will be more than offset by a reduction in the cost of the mechanical equipment which would otherwise be required to position more precisely the paper for both preprinting and postprinting operations, as well as by substantial reductions in continuing expenses for imprinting, processing and verification operations.

**Format**—As we have already indicated, the use of magnetic ink character recognition will require some changes in check format. These changes will not be as radical as that required by some of the languages studied.

There are but three ways to avoid these:

(1) The use of an invisible code.

(2) The use of a "carrier" which could be detached after processing the check.

(3) Placement of the language on the back of the check.

Again, as we have already pointed out, the use of an invisible code will require special equipment for reading and verification processes. Since it will not be susceptible to human recognition, it will serve to complicate preprinting, postprinting, and proving operations. To meet this objection, coded data can also be imprinted on the check in Arabic numerals for the use of humans, but the advantage of invisible inks is then lost, since changes in format will be required to accommodate these numerals. Furthermore, two separate runs, or a double run, must be made to imprint such data with two different inks.

If a "carrier" is used to carry the coded data through the various processing steps, then additional equipment must be used which will attach this carrier to the check or enclose it, as the case may be, and subsequently detach the check or remove it from the enclosure. Because of the cost of such equipment and the additional operating steps that its use necessitates, the Subcommittee has not deviated from its originally announced requirement that the check should be its own carrier.

As stated earlier, the Subcommittee rejected the suggestion that the language be placed upon the back of the check because of the additional costs for both printing and postprinting data in this manner, and the difficulties that it would present to printers, bank personnel, and bank customers in reading and verifying the encoded data.

As a part of the concentrated effort to study and evaluate all of the proposed languages and their effect on check formats, the Subcommittee analyzed the type and style of check imprinting for 138,162 accounts. It was found that 45,747 accounts, or 33%, used checks individualized in some way. Of this number, 21,298, or 15.4%, were held by businesses, while the remaining 24,449 accounts, or 17.7%, were held by individuals.

Of the total of 138,162 accounts observed, 1,125, or .81% of the total, or 2.4% of the imprinted checks, used "cuts" on the imprinted checks.

The remainder of the checks were either set in type or were printed by multilith. Also included in this study was the amount of space by area on the check available for printing a visible common machine language.

**Mutilation and Obliteration** — Of the media studied, the Subcommittee found that magnetic inks were least subject to mutilation and obliteration through the ordinary handling and exposure which checks might be expected to receive. Magnetic inks can be read mechanically through overprinting, pencil and ink marks, oils, greases, carbon smudges, Scotch and opaque tapes, as well as other foreign substances. The inks used are as durable as any presently used in printing and typing operations. In fact, magnetic inks may be obliterated

as far as the human eye is concerned and yet be readable accurately by mechanical equipment.

### CONCLUSION

In this report we have mentioned briefly only the principal criteria upon which the selection of a common language for automatic processing of checks must be based. These, plus many others of perhaps less importance, were all very carefully weighed in reaching our conclusion to recommend, as the common machine language, the use of

magnetic ink character recognition.

We have covered the activity of our Subcommittee, the basic factors considered in this selection, a description of the technical aspects of the languages existing today and the reasons for the selection of the language we are recommending.

It is our intention to seek coordinated agreement on designated field lengths and locations, as well as specific character type font, as soon as possible. A specifications manual will be published for the guidance of all concerned immediately thereafter.

### ACKNOWLEDGMENT AND APPRECIATION

**I**N addition to the foregoing formal report, the following statement of acknowledgment and appreciation was made by John A. Kley, chairman of the Technical Subcommittee on Mechanization of Check Handling:

The action taken by the Bank Management Commission in endorsing the recommendation of our Subcommittee is, of course, a source of great satisfaction to us. I would like to express the pride that I have in being chairman of such a group of individuals. Their earnestness and conscientious attention to duty I think is somewhat unique for a volunteer type of committee. A great deal of time spent in the last two years has been on their own, during nights and weekends, in order to minimize their absence from their regular bank duties. The banks for which they work are to be commended for allowing such men to participate to the degree that they have done so.

The selection of a common language in the total scheme of check mechanization is, of course, just a first step. However, for us who have served on the Subcommittee, we now feel that we have left the paths of frustration and have now entered upon the road to fruition.

It has not been an easy task to consider all factors involved and arrive at a single language. A great deal of effort, financial support and technical know-how has been put into the various approaches to languages by many people. The manufacturers with whom we have worked have been most cooperative, and it is a thrill to observe the results of their individual ingenuity.

### "A Calculated Selection"

Some people will tell you that the selection of a language by such a committee is foolhardy, in that a single common language will never be attained. We have been told, in some quarters, that the selection of a language will be a calculated risk. Our considered opinion at this time is that this is not so, and that this is, in fact, a calculated selection. While it is true that media, entirely unknown at the present, will emerge as a better answer in the future, we feel that we have selected the best existing medium.

The time for selection is most opportune. Although large sums have been invested toward the perfection of various language concepts, still none of the systems has reached the

state of production tooling, where extremely large amounts of capital are required.

We hope to implement immediately this recommendation by asking the various machine manufacturers and the check printing industry to join with us in the cooperative selection of specific details, such as field location and designated places on a check to be reserved for this language. In this endeavor we hope to be successful and feel that now the primary designation has been made, that the cooperative action of all manufacturers concerned will tend to accelerate the day when common language is a reality.

Today might very well go down as a day during which men sat together and made a decision that had absolutely no effect on the check mechanization problem whatsoever. On the other hand, it could represent a day in which an historical landmark was created in the field of bank operations. We submit to you that, in our opinion, there is no question but that it is the latter.

Only time will tell how important a part the concept of a single mechanical check reading medium will play in the field of bank operations and customer service.

# ELECTRONIC EQUIPMENT

## for Savings and Mortgage Operation

EVERETT J. LIVESEY

*This is a report of the Subcommittee on Electronics of the Committee on Savings Management and Operations of the Savings and Mortgage Division of the American Bankers Association. Its purpose is to inform the member banks about the status of the work, which the committee undertook several years ago; to obtain new equipment embodying the latest developments in integrated data processing and electronics; and to handle savings and mortgage operations.*

equipment manufacturers have built machines for bank operations without adequate reference to the needs and problems of operating bankers, and that banks have then been required to adapt their operations to the new equipment. It was felt that this procedure put "the cart before the horse." It was the belief of the committee that banking should present to the equipment manufacturers the needs to be met, and that then equipment should be designed to meet those needs.

### A.B.A. Pamphlet on Automation

Accordingly, the Savings and Mortgage Division and the Bank Management Commission of the A.B.A. jointly published, in late 1954,

Everett J. Livesey

Chairman of the Committee on Savings Management and Operations, Savings and Mortgage Division, American Bankers Association; vice-president and secretary of The Dime Savings Bank of Brooklyn, N. Y.

a comprehensive booklet on automation designed principally for the use of equipment manufacturers. The major credit for this work goes to C. M. Weaver, then assistant vice-president of the First National Bank of Chicago.

The booklet gave the background of the A.B.A.'s work, and the philosophy under which the A.B.A. committees were operating. More specifically, however, it set forth a group of "tentative guides for designing the equipment and the processes for a modernized savings operation." They were:

- (1) Retain the passbook.
- (2) Retain the deposit ticket, or its equivalent.
- (3) Retain the withdrawal order, or its equivalent.
- (4) Provide a means for automatic reproduction of passbook number without manual key depression.

(5) Post passbook.  
(6) Record in acceptable means for automatic processing. Under this item, some of the problems were pointed out: volume of activity, signature verification and old balance look-up, stop orders, automatic passbook number pick-up, designation of deposit or withdrawal, old balance pick-up, amount of transaction, the identification of hold items, and extension of the balance.

(7) Provide adequate facilities for the correlation of transaction and account information.

(8) Provide facilities for calculating all additional information required, including current interest and interest accumulation. In this regard, it was pointed out that "savings interest calculation without mechanization probably is the roughest routine operation in banking."



The manufacturers were also reminded that interest calculating formulas are of varying degrees of complexity and are not uniform.

(9) Set up account balance information in acceptable form. The brochure pointed out that "account balance information cannot be acceptable if it is not available"—i.e., it must be readily available for teller and administrative action.

(10) Make provisions for adequate account history, including those necessary to facilitate audits and examinations.

(11) Integrate interest recording in the passbook in the above routine.

(12) Take care of all basic control and trial balance requirements.

### Current Status

In the year and a half which has elapsed since the release of the A.B.A. brochure, the Savings and Mortgage Division has been working closely with all of the traditional manufacturers of bank equipment, and with several newcomers to the field. Most of the remainder of this report will be devoted to a discussion of where each of these companies stands in its efforts to provide new equipment for savings and mortgage operations.

Before proceeding with this discussion, however, it would be well to define two phrases which will be used. One is "on line processing," and the other is "off line processing." The former envisions a system under which the tellers' window posting machines are tied directly into the central computer. As transactions are posted at the window, they are automatically reflected on the bank's records. Under an "off line" system, window transactions are posted on the tellers' machines independently of the central computer. Later, through a punched paper tape, punched cards, or some other input device, the transactions are fed into the computer, and record-keeping, interest computation, etc., take place.

### "Off Line" Only

**Burroughs.** Burroughs is not interested at this time in producing "on line" equipment for savings and mortgage operations. It is, however, working on a line of computers which can be used in "off line" processing, and which will be adaptable to banking operations. In addition,

it is interested in working with the A.B.A. or with other equipment manufacturers in producing the special type of window machine which will be necessary for an "on line" system.

### Planned: Not Yet Built

**DATAmatic Corporation.** DATAmatic Corporation is owned jointly by Minneapolis-Honeywell, and Raytheon. Some of the equipment described in the following paragraphs has not yet been built, but the feasibility of the system has been established. The company states that the equipment could be delivered in a reasonable time.

The DATAmatic System would consist of a medium scale, general purpose electronic computer having three-inch magnetic tape input and output, card to magnetic tape converter, etc., together with the following peripheral units:

- (1) Random Access Memory
- (2) Local Input—Output Units
- (3) Switching Unit
- (4) High Speed Printer(s)

A description of each of these units is given below. A detailed discussion of the application of these units to the savings and mortgage operations of banking will be available at a later date.

### Random Access Memory

Each RAM unit would consist of 10 endless loops of DATAmatic 3"-wide magnetic tape. Each loop of tape would have a maximum length of 52 feet. (Smaller loops could be used if faster access were desired.) These loops would be driven at a constant speed of 100 inches per second over reading heads. Thus, each loop would be completely scanned by its reading head once every 6.25 seconds. Each tape loop contains 30 channels of information available for data storage and six channels which are used to store data needed by the control circuitry of the equipment.

Each RAM unit actually may be envisioned as a very large magnetic drum having 300 channels available for information storage. The "drum" would have a circumference of 52 feet. Each individual tape loop has a storage capacity of 360,000 decimal digits and each RAM unit would store 3,600,000 decimal digits of information.

Multiples of these RAM units may be incorporated into a single sys-

tem. Thus, capacity for 500,000 accounts of 72 decimal digits of data for each account would be provided on a 10-unit system. The 72 decimal digits of data storage discussed here comprise the amount allotted for the random access requirements of each account. The storage of account detail would take place automatically on regular DATAmatic tape reels (2,700 feet long). Each reel has a capacity of 37,000,000 decimal digits—thus only a few reels would provide sufficient storage for even the largest bank. The great advantage of this system concept is in its economy—the low unit cost of tape storage is combined with a very acceptable random access speed. The DATAmatic wide tape makes this possible.

### Local Input-Output Units

Each input - output unit would consist of a keyboard for entering data into the system, a printing unit for receiving data from the system, and a set of panel indicator lights to notify the local operator (teller) of account status. A maximum of 100 such units in several locations may be included in a system. Automatic interlocks to prevent erroneous entry of old balance data would be provided. Entrance of the account number (passbook number) into an input - output unit may be accomplished in either of two ways. It may be entered by depressing keys of the keyboard, or it may be entered by inserting the cover of the passbook into the "account reader." Here, a pattern of holes in the cover would be read automatically and interpreted as the proper passbook numbers.

### Switching Unit

The switching unit makes the necessary interconnections between the tape loop which stores the data of the desired account, the input-output unit which is being used to process the account, and the computer.

### Computer

The computer accepts data supplied by the input-output unit, processes these data in the desired manner, and returns them to the input-output unit. It also would record data from, or write data on, regular reels of tape which are handled by tape mechanisms just as in any computer system.

## High Speed Printers

High speed printers (900 lines per minute—120 characters per line) would be supplied for periodic printing of the ledger file records for both savings accounts and mortgage loan accounts.

The basic requirements of savings banks for handling both savings and mortgage loan accounts can be met with the complement of equipment described herein.

## Integrated "On Line" System

**International Business Machines Corporation.** First, of course, I.B.M. has a complete line of punched card equipment which is already being used extensively by the banking industry on savings, mortgage, and other banking operations. It has built many computers for industry, but these are not specialized enough to be adapted to savings bank operations. However, I.B.M. is hard at work on a completely integrated "on line" system to handle depositors' and mortgagors' accounts. The results of the investigations are not yet available, but they are extremely promising. It is hoped that the proposal will take definite shape, and that information will be released to the banking industry, in the near future.

## From Radar to Banks

**Laboratory for Electronics.** Because this company will not be known to many bank operating officers, and because it is one of the two firms which is now prepared to accept orders for a completely integrated "on line" system for savings and mortgage operations, it would perhaps be well to discuss briefly the company and its antecedents.

The Laboratory for Electronics, Inc., of Boston, was 10 years old this May. The company presently employs about 800 people, of whom 140 are professional engineers. The experience of the senior members of the staff is firmly rooted in the complex radar research and development programs that were carried out during the last war. In consequence, much of the company's work since its inception has been in the radar field.

Moving Target Indication (MTI) in itself and ground controlled approach systems including MTI have received especial emphasis, as ex-

emplified by the LFE-developed SPAR system, and various military systems, such as the CPN-4, GPN-6, TRD-10, APN-78, UPM-66, etc.

The extension, several years ago, of LFE's activities into the business machine field came about fairly naturally—the electronic business machine and the radar system are not as disparate fields as they might seem at first sight. The microsecond pulse, whether it represents the presence of a target in a radar, or a "bit" of information in the computer, is still, electronically speaking, the same microsecond pulse. The handling and analysis of data required in large present-day radar systems and that required in large present-day electronic business systems involve identical engineering skills.

## Has Two Systems

LFE points out that this basic similarity of technologies has permitted it to make great progress in the business machine field in a relatively short space of time. Two complete systems have been developed, the small computer presently undergoing final systems tests, and the larger, DIANA, scheduled to be in full-scale operation at the Chase Manhattan Bank in 1957. At the heart of these two systems is a large capacity magnetic drum information storage system that permits fractional second access time to hundreds of thousands or even millions of detailed accounting records. The company states that both the number of accounts that can be handled and the amount of detail per account that may be stored on an economical basis has made practical many highly worthwhile systems concepts that heretofore were all but impossible of achievement.

For the past year, LFE has been carrying on its business machine development program in close association with the British Tabulating Machine Company. The arrangement has proved so mutually beneficial that it has been formalized through the setting up of a jointly owned subsidiary, the International Computers Corporation, which is located in Boston and will carry on the development program. The Laboratory for Electronics will continue to handle the marketing of the two machines.

The following is LFE's description of the system for savings and

mortgage operations which the company is now ready to install.

## DIANA's Three Components

Basically the DIANA system for savings banks consists of three components: tellers' window machines, a communications link (leased wire from A.T. & T.), and the central data processor. The drum storage technique referred to above is utilized to permit direct random access to any account in the file in less than one-third of a second (average access time being in the order of one-sixth of a second).

This DIANA characteristic permits storage and day-to-day use of savings account detail in addition to summary or balance-only information. The design of the "input area" of the DIANA computer is such that it is ideally suited for direct wire connection to any number of remotely located window machines. The highlights of the DIANA system are presented in the succeeding paragraphs.

The Diana Deposit Accounting System offers tangible benefits to the depositors, tellers, auditor, and management. Depositors can be serviced at *any* window in main office or branch. Any inquiries about account status or details can be answered immediately at the windows or over the phone. The time taken to process window transactions, including updating of passbook, is greatly reduced, thus reducing lobby congestion.

## Signatures by Viewer

Since ledger cards are eliminated and signatures may be displayed on a viewer actuated by a plug-in connection to the "account number" key of the window machine, the teller need waste no time in walking to these files. Since the computer automatically determines the amount of free balance on each account, the teller need make no computations on uncollected funds when processing a withdrawal. All entries to bring a passbook up to date are printed *automatically* by the window machine from information stored in the computer. The teller need balance only his cash to agree with an automatic proof total.

The auditor may establish and change at will any set of controls he may desire. These are produced at no additional expenditure of time or money.

Management receives significant up-to-date reports at a cost far below that now required to produce them. Centralized accounting eliminates need for separate branch "books" while still providing all information on a branch basis. Elimination of ledger files frees valuable floor space and increasing processing speed permits expansion without increasing the teller force.

### How DIANA Works

The system operates as follows: Teller will enter account number, balance and amount of transaction, and insert passbook and transaction slip in the window machine. This information is transmitted over leased wire to the central computer. DIANA selects the proper account which is stored on a section of a magnetic drum, updates the account and returns the proper information over wire to the window machine which prints it in the passbook. If the account number or old balance had been entered incorrectly, DIANA would signal the teller that he had made an error. If a withdrawal overdraws the account or draws upon uncollected funds, the transaction is stopped and the teller is signaled. If there are any unposted items caused by prior "no book" transactions and/or unposted interest, the central computer causes them to be printed automatically on the passbook, line by line, before printing the current transaction. Entry of check deposits forces the teller to enter the collection period for each check. Thenceforward, the computer automatically reduces the number of days by one each day, until the uncollected period reaches zero, at which time it cancels the amount of that particular uncollected amount. The computer will not permit a "stop payment" or "hold" account to be processed without proper authorization.

In any "no book" transaction the teller is forced to depress the "no book" key on the window machine, thus insuring that it is properly identified as such in the central computer storage.

No matter what type of transaction occurs, and no matter how much updating is required, the computer requires only  $\frac{1}{2}$  to  $\frac{3}{4}$  of a second to perform the operation. Transmission time varies with the type of transaction, but even in the case of updating passbooks for unposted in-

terest, this would not exceed three seconds each way. Owing to a unique method of handling multiple inputs, delay is reduced to a minimum. For example, there is normally only a 10- to 15-second elapsed period between entry by the teller and print out in the passbook. If 90 tellers were connected to the computer and all of them were to depress their motor bars at the same precise moment, the longest period of waiting time for one teller would be one minute. However, the majority would receive the information returned from the computer in less than 30 seconds.

At the end of a dividend period, DIANA will automatically compute interest on any basis the bank may desire. The speed of this computation is such that all interest is ready for posting to the passbooks at the time of opening the next morning. For example, last-in-first-out computations are accomplished at the rate of 50,000 accounts per hour.

### Million Digits per Minute

A drum-to-magnetic-tape transfer is utilized to record the contents of each drum on reels of tape. The transfer is extremely fast, proceeding at a rate of over 1-million digits per minute. These tapes permit a secondary security record to be maintained, permit the re-use of the same magnetic drums for other applications, and naturally will give a record of the accounts "frozen at the time of transfer." The tapes produced at the end of each dividend period are "played back" into DIANA to produce a printed transcript of each account for the past period. The speed of preparation of these records is limited roughly by the speed of a line printer. Economy in use of lines is achieved by printing six or more transactions per line. Normally this period-end transcript work would be spread out over a period of days.

### Handles "Batched Input"

DIANA is capable of receiving "batched input" as represented by a stack of punched cards or a reel of punched tape, as well as the direct input as represented by the "on line" connected tellers' machines. Since the computer, per se, is busy less than two hours per day in processing say 8,000 window transactions, there is much free time which

can be utilized for other applications. These applications can be programmed so that they never interfere with deposit accounting. The computer can work, for example, on mortgage accounting during all its free seconds.

Each time there is a window machine transaction it stops the mortgage accounting and processes the teller's input and then starts on the mortgage work again. There is no delay to the teller. This method requires separate magnetic drums for the other applications. If these other jobs were to be performed on a second-shift basis, then the same drums utilized during the day for deposit accounting would be used at night, the deposit information being transferred to tape and the other records being read from their tapes onto the now free drums.

### Flexible-Program Computer

Any type of mortgage and method of processing it can be automated by the use of DIANA as long as logical rules can be established. This is possible since DIANA is a flexible-program general-purpose computer. Briefly, DIANA will follow the policy established by a bank in applying any type of payment—past due, partial, prepayments or any combination of these. It will prepare statements or bills automatically. It will flag delinquent accounts. It will, once anticipated escrow or suspense debits are entered, debit the account at the proper instalment date, and automatically adjust the flat payment up or down to coincide with changes in tax and insurance bills, etc. Any and all types of accounting and statistical reports are produced automatically.

### Has Many Uses

Other applications such as Christmas Club, payroll, security records, safe deposit billing, can be placed on DIANA, with equal facility. For example, 25,000 Christmas Clubs could be stored on one-third of one file drum, all accounting automated and checks prepared at the close of the club. A 650-man payroll can be computed and checks and statements prepared in less than 15 minutes.

In conclusion, DIANA is a general-purpose computer which can meet the requirements of all banking applications and is by its nature ideally suited for the major job of deposit accounting.

## Window Machines

Monroe. The Monroe Calculating Machine Company has shown interest in the requirement of banks that a window machine be developed to tie in with the electronic machines used for record-keeping and calculating processes. The Monroe Company is prepared to work with the banks on their requirements, and is optimistic that their needs with respect to a window machine can be served.

## Uses Paper Tape Recorder

National Cash Register Company. N.C.R. has several interesting developments to report. These are described in a presentation which the company recently made to a convention of mutual savings bankers in New York City. Excerpts from this report are given in the following paragraphs.

"While it is true that the era of the 'push-button' office has not yet arrived, nevertheless substantial progress has been made in utilizing the principles of automation to solve day-to-day record-keeping problems. We would like to present some of the developments of The National Cash Register Company in this important field. Our course in automated data processing has been charted toward two goals. The first has been development of machines which capture original data in such a form that the data can be readily processed by automatic methods. Our second goal has been development of complete, versatile electronic systems to process this data.

"The first goal has been achieved through the paper tape recorder, which has proved to be a key to unprecedented progress in the automatic handling of data. A paper tape recorder simply punches in code a record of whatever is entered into the keyboard of a cash register, accounting or adding machine. This record is obtained as a by-product, with no extra effort, in handling the transaction.

## Some Available Now

"The National Cash Register Company has developed a number of special cash registers, accounting and adding machines linked to paper tape recorders. Many of these machines are in use now; others will be available in the future.

"Great progress has also been

made toward our second major goal, that of designing a basic all-business electronic data-processing system, which with variations will answer commercial needs in a wide variety of fields."

The discussion then turned to equipment presently available.

"In a centralized deposit accounting system, only the customer's passbook is posted at the window. Instead of posting a ledger at this time, the bank uses a tape recorder to capture automatically all pertinent data in punching form. The tape can then be employed as a basic input medium for electronic data processing equipment or other automatic processing machines.

"The use of punched tape in lieu of ledger cards at the window does not eliminate the need for protection, nor does it minimize it. In fact, the advantages of electronic data-processing systems could be jeopardized without protection and control at the window, where transactions originate.

## For Two Tellers

"The Class 42 has 10 totals and an add-subtract counter, with positive control for two tellers. This machine prints three individual records simultaneously without the use of carbon—the ledger card, passbook and audit tape.

"The same degree of control and protection offered by the Class 2000 machine has been carried forward in the Class 42. Among many other features, the Class 42 provides net totals at the end of the day. For example, deposit corrections automatically subtract from deposit totals as a result of clearing. Likewise, a teller can subtotal his deposit key, withdrawal key and the correction keys, automatically arriving at net increase or decrease of cash.

"This advanced window posting machine has also been modified for use with a paper tape recorder.

"Class 42 machines to be available soon will include (1) the model for use with conventional unit systems; (2) the model with paper tape recorder for centralized deposit accounting systems; and (3) a model for conventional unit systems but wired so that paper tape recorders can be added at some future date if desired. Printing produced by these Class 42 models will match existing Class 2000 forms.

"In addition, National is working

on an all-business electronic data-processing system, the 304 Electronic Computer System. This is a completely new system, designed and engineered specifically for business applications. The result of extensive research and development, the system incorporates transistorized internal design and a main memory of magnetic core construction.

## Magnetic Tape "Memory"

"Its basic design includes a magnetic-tape 'memory' system which has the following characteristics:

- (1) Adequate, high-speed, magnetic-tape capacity.
- (2) Expandable tape records.
- (3) Fixed or variable-length tape records.
- (4) A method of handling record searches and tape-to-tape transfers independently of the computer.
- (5) A completely self - checking read-and-write mechanism.

"The system will be available with a basic 2,000-word memory which can be doubled on order. All transfer of information within the computer, from one memory location to another, is checked by the computer. Primary input into the system is through the medium of punched-paper tape. Input from punched cards is an optional feature.

"An off-line printer controller provides for high-speed printing from magnetic tape independently of computer operation. This, together with direct on-line connection to the high-speed printer, results in a great degree of adaptability to varied business requirements."

The 304 computer system will be utilized in a centralized accounting system for savings and mortgages.

All of the control and protection inherent in the established National Unit Plan has been retained in the new system.

## Ten Advantages

The National 304 savings plan offers these major advantages:

- (1) Improved customer service by speeding up posting of transactions at the window.
- (2) An account-status card is automatically produced by the computer which provides the basic information and control of the unit plan ledger without the necessity of the teller posting it on the window machine as a part of the transaction. Thus a major cause of window delay is eliminated.

(3) Computer control over all holds including automatic aging of uncollected items.

(4) Complete control over inactive accounts.

(5) Automatic interest calculation eliminates a major back-office function. The computer is completely flexible. Any plan of interest calculation may be used and the interest to be credited to each account is automatically computed by the 304.

(6) Old and new balance proof is eliminated as a back office operation. The accuracy of the old balance pick-up in the passbook is established by the computer as the transaction is automatically posted to the bank's record.

(7) Floor space needed for back office clerical operations is reduced.

(8) Improved audit controls.

(9) Automatic trial balances.

(10) Completely automatic preparation of any reports management requires.

#### All on Punched Paper Tape

An outline of the system follows:

"Creating punched paper tape at the time of the original transaction is the first step in a centralized deposit accounting system. You will recall that only the customer's passbook was posted at the time of the original transaction. Instead of posting the ledger at the window, we have obtained all of the necessary information in punched-paper tape form.

"This typical system consists of a high-speed paper tape reader which transfers information from the tape to the electronic computer; magnetic-tape files where the bank's ledger records are stored; the electronic computer itself, which controls the system and performs the numeric calculations, and a high-speed line printer for producing reports.

"The punched paper tape from the window posting machines is entered into the high-speed reader at the rate of 1,000 characters per second and its information transferred to the computer. There, the day's activity is sorted into account number sequence. 10,000 daily transactions can be sorted in 10 minutes.

"The next step is to locate the corresponding accounts in the magnetic-tape file. The computer instructs the magnetic tape units to search for the record of the first

active account. Once this is located, it is read from the magnetic tape file into the computer. At this point, the computer is programmed to post the current transaction to the record, and to record both the details of the transaction and the new account and interest balances back onto the magnetic tape. This same routine of locating an account record, reading it into the computer, posting today's transaction to it, and recording it back onto magnetic tape is followed for all of the active accounts until the entire day's activity has been posted to the magnetic tape files.

#### Three Operations at Once

"At the time each account is posted, these operations are performed:

(1) Proof is established that the account number and old balance were properly handled at the window-posting operation.

(2) The interest is adjusted, depending on the type of transaction.

(3) Various summaries are accumulated for statistical reports and general ledger purposes.

"To provide a current, visible record of the balance for each account for interrogation and balance reference, an account-status card is prepared automatically by the computer for each account affected by the daily activity. This file is placed conveniently for access by the teller.

"You will recall that the projected interest balance was adjusted each time the account was active.

"At the end of the interest period the account-status card will reflect the amount of the interest earned. The interest is credited only as the depositor presents his passbook, thus eliminating the peak load operation of posting interest to the ledgers.

#### Shows "Holds"

"A further important use of this account-status card is that it reflects any hold condition which bars payment against the account whether it be for uncollected funds, returned check or a legal hold. The account-status card automatically produced by the computer is one of the key advantages of the electronic system. At the end of each quarter a permanent historical record is printed showing every detail of every transaction affecting every account.

"The system shown here uses a

printer directly controlled by the computer. This will be an optional choice. The printer can be used either on-line (that is, under direct computer control) or off-line (independent of the computer).

"Mortgage application can be handled with similar equipment and procedures.

#### Specific Needs Vary

"No doubt many of you could suggest variations to the plans presented. The specific needs of an individual bank will introduce differences in the details of this more general approach, but time does not permit a discussion of the variations that may arise in specific cases.

"Conditions vary from bank to bank. Many of you, for example, have found in the 'unit plan' advantages for your own particular operation that can be realized through no other method. In other cases central deposit accounting offers some promising possibilities. It would be misleading to suggest that any single system can provide the answer to *all* problems faced by all banks.

"Whether you as an individual bank can use centralized deposit accounting methods or electronic data processing techniques can be determined only after you have conducted an extensive survey. Though such a study may be time-consuming, in many cases the results will justify the time and effort.

"Meanwhile, our company's program has been aimed at the development of machines and systems that are broad enough in application to meet the individual needs of various types of savings bank operations.

"If you are planning to convert to centralized deposit accounting now or in the near future, the Class 2000 window-poster is available today equipped with paper tape recorder, or wired so that it can be used with paper tape recorders at some later date. Also, the Class 42 window poster will be available in the near future for centralized deposit accounting, equipped for either immediate use with a recorder or for future use with a recorder. In many banks centralized deposit accounting will not be desirable. The Class 2000 will continue to meet the requirements of these banks, and in the immediate future the new Class 42 will be available.

"All of the tape recorder com-

binations we have described are compatible with existing data-processing systems, whether punched card or electronic. They will also be compatible with the data-processing systems of the future, such as the forthcoming National 304 computer system which we have described briefly."

### Is Testing Equipment

**Sperry Rand.** The Remington Rand UNIVAC Division of Sperry Rand Corporation is giving high priority to a project involving the modernization of savings bank accounting. At the present time several prototype equipments are being tested in the company's laboratories, and the sales and engineering departments are working in close cooperation to survey different sized savings operations, leading to the development of the most adequate equipment possible. Based on these studies the company expects to arrive at specifications for equipment required by the large-, medium-, and small-sized operation, since the equipment configuration required will probably vary depending upon the particular application and bank. For the past several years the company's sales engineers have been visiting banks interested in electronics to the end that a comprehensive bank equipment program may be developed. A detailed report on Remington Rand UNIVAC's program and description of equipment is expected in the near future.

### Ready to Take Orders

**Teleregister.** The Teleregister Corporation is the second of the companies prepared to accept orders for a fully integrated "on line" installation. The Savings and Mortgage Division of the A.B.A. has been working closely with Teleregister through all phases of the development of the system. As a matter of fact, Teleregister has the distinction of announcing that the first completely automatic electronic savings bank system ever to be built will be installed in The Howard Savings Institution of Newark, N. J., as the result of a contract recently signed between Teleregister and the bank.

The system employs magnetic storage or "memory" drums and tapes to control accounts, print passbooks, display uncleared check conditions, and "lock-up" in the event of an overdraft. The principal ad-

vantage of the system is that the teller can have access to central inventory showing the status of any account, at any time, instantaneously, on demand. Teleregister estimates that this will result in a 40% reduction in the time required by a teller to perform a transaction, thus providing more rapid service to customers.

The network is completely integrated so that tellers at any branch and at the main office can take deposits or make withdrawals and immediately record this information on the central storage equipment at the main office.

"One of the principal factors which affected our decision to install this system," said W. L. Maude, president of the Howard, "was its ability to handle, not only the normal teller operation completely, including interest computations, but also problems related to accounting for mortgages, payday savings, and club accounts. This eliminates a very costly manual operation and the need for a great deal of expensive tabulating card equipment. By having this system handle each daily operation we are able to count on more rapid auditing and the elimination of the possibility of human error."

### Saves Floor Space

The elimination of manual records which must be kept near the teller for reference, releases additional floor space to provide further teller service. Moreover, the elimination of ledger card files permits customers to use any teller's window, rather than a window specifically designated alphabetically. This also releases costly floor space and permits flexibility of bank space layout.

Teleregister points out that since the system is leased by the bank and maintained by Teleregister, the bank's operating cost is frozen at the rental figure. The bank is not required to make a large capital outlay and is spared the necessity of recruiting and training specialized maintenance and programming personnel.

According to Teleregister, the Howard system is capable of handling up to 4,500 transactions per hour, and tellers are provided with instantaneous visual and printed reference on as many as 250,000 regular savings accounts. However, Teleregister points out that the ca-

pacity can be changed to meet the requirements of any bank contracting for the new service.

Teleregister claims the following additional advantages for its system over present methods: improved means of producing, on demand, tabulated reports of account activity; elimination of costly annual service contracts for maintaining present window posting machines; elimination of conventional tabulating card equipment and attendant costs of operating personnel and supplies; a leveling of peak loads and improved work flow.

Teleregister was founded in 1928 to provide stock brokerage firms with automatic instantaneous display of prices on leading stock and commodity exchanges. More than 400 brokerage offices in almost 50 cities use this service to assure their customers and staff of maximum speed and complete accuracy.

### "Teleregister" a Pioneer

The company has attracted wide attention in recent years through its pioneering efforts in the field of electronic data processing. The corporation designed, installed, and maintains for American Airlines an automatic reservation system capable of providing instantaneous information on up to 1,000 flight-legs per day for a 12-day period. Hailed by American Airlines as "the greatest improvement in reservation service in 25 years," this system is now being expanded to greater capacity.

The firm has built similar specially designed systems which it leases to United Airlines and Pan-American World Airways. It is also building systems for Braniff International Airways and National Airlines.

Three major railroads have also contracted with Teleregister for electronic reservation systems. These are the New York, New Haven & Hartford, the New York Central, and the Atchison, Topeka & Santa Fe.

### Worked with Banks

In developing its new system, Teleregister worked not only with Howard, but also with 35 other mutual savings banks. One of the stipulations set down by the banks was that the system should employ dual electronics for reliability, so that there would be no possibility of breakdown. The employment of this principle in the case of American

Airlines has enabled the system to work seven days per week, 22 hours per day, for the last three years with less than 3/10 of 1% down time.

A picture of a proposed teller's window machine, and a layout of the keyboard, are shown at the right on this page.

#### "Low Cost" Computer

**Underwood.** Underwood Corporation has developed electronic equipment applicable to savings bank operation in two general areas. The first is an electronic accounting machine, the ELECOM 50. This machine sells for approximately \$25,000.

The Underwood Elecom 50 is a small, low-cost data-processing business computer. It is designed for a wide variety of business applications, such as payroll, general ledger, mortgage loan accounting, loan ledger, and many others.

The Underwood Elecom 50 operates from a program stored in the machine on a wide plastic tape. Programs are prepared by Underwood Corporation, and the machine arrives ready for operation. Additional programs and changes in programs also will be furnished by Underwood.

Input from one or two punched tapes and a numerical keyboard is available with the Elecom 50. As output, the Elecom 50 also will produce one or two punched paper tapes as well as printed records.

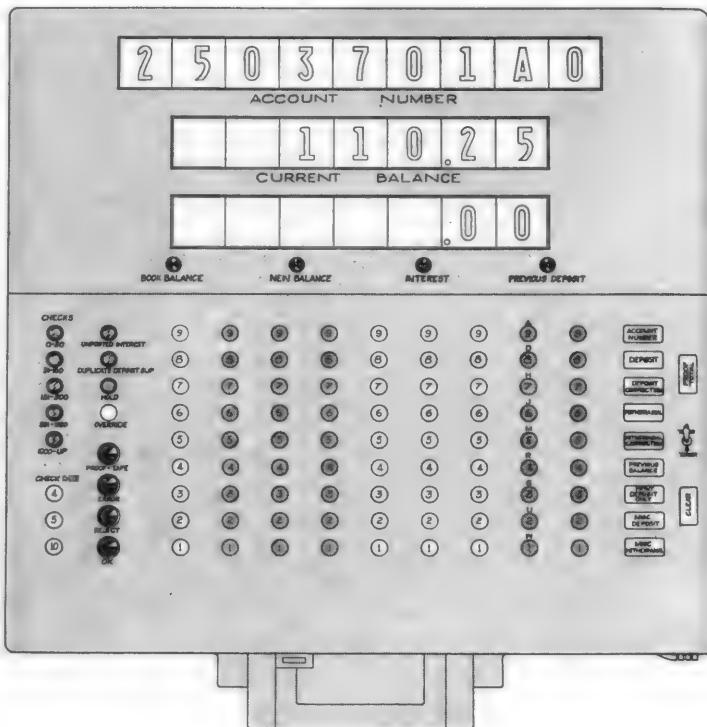
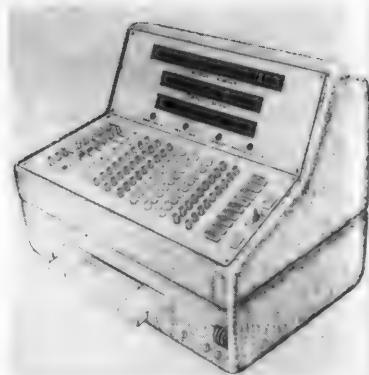
Printed output is produced on two semi-gang printers which can handle unit records such as ledgers and journals, and continuous forms such as checks or instalment notices. Internal storage is on a magnetic disk with a capacity of 100 words or registers of 10 digits each. This internal memory is used for storage of computed results, totals, and equation constants. An external memory is provided in the form of a punched paper tape which can be automatically reprocessed for further analysis.

#### Ready Early in 1957

Approximately 15 of the machines will be in the field by early 1957, working on a wide range of applications.

At the present time, no installations in banks are scheduled. Mass production of the Elecom 50 will begin in the summer of 1957. A nationwide service organization is being trained.

Teleregister's proposed teller's window machine and the layout of the keyboard are shown at right and below



#### May Buy or Lease

**The ELECOM 125 System.** The ELECOM 125 is an electronic data processing system selling in the price range of from \$300,000 to \$350,000, also available by lease and under option to purchase arrangements. Designed expressly to handle general business applications, the ELECOM 125 System has useful work output capabilities of up to three quarters of the electronic computers in the million dollar and more price range.

The ELECOM 125 System consists of a general purpose electronic computer and an ELECOM File Processor, an automatic unit which sorts, collates, selects, and categor-

izes information recorded on magnetic tape.

The ELECOM 125 System also includes a wide variety of input and output facilities and such internal features as variable amounts of drum memory, the facility to handle any number of magnetic tape units, automatic floating decimal operation.

The first ELECOM 125 System, including a high speed line printer, is being installed at Underwood Corporation headquarters, New York City, early this fall. This equipment will be used for Underwood accounting operations, and as a customer trial, demonstration, and

(CONTINUED ON PAGE 161)



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## The Country Banker

Mr. Duggan, at right, discusses poultry financing with Charles Vantress of Duluth, Ga. Mr. Vantress, a customer of the Trust Company of Georgia, is one of the outstanding breeders of pedigree poultry in the United States

### Broiler Financing

IVY W. DUGGAN

**"Poultry production is an activity which requires know-how, skill, financing, and superior management ability just as other farming activities do."**

*The author is vice-president of the Trust Company of Georgia, Atlanta. This article is based upon an address by MR. DUGGAN before the convention of the Alabama Poultry Industry Association.*

POULTRY and poultry production are a part of American agriculture. However, poultry and poultry products in recent years have become a specialized business. In fact, egg production is a specialized operation, as is broiler production. The production of broilers or of eggs is often the only agricultural enterprise engaged in by the producer. In the production of broilers, often the only inputs supplied on the farm are the labor and housing. The baby chicks are bought off the farm; the fuel is bought and all of the feed is bought. Broiler production more and more assumes the characteristics of a manufacturing process where the

materials are brought together and in a few weeks' time converted into 2½- to 3½-pound broilers. However, poultry production is an activity which requires know-how, skill, financing, and superior management ability just as other farming activities do. Many of the characteristics of other farming enterprises are present in the production and marketing of poultry.

#### **Georgia Broiler Industry Growth**

As those in the poultry industry know so well, the broiler industry is relatively new. In 1935, Georgia produced 500,000 broilers with a value of \$230,000. In 1955, Georgia produced 177,642,000 broilers with a value of \$125,284,000. In 1956, Georgia will produce in excess of 200,000,000 broilers. In one week alone this year, placement of baby chicks in Georgia for broilers reached the figure of 5,000,000. The

broiler industry is still having growing pains and has not yet leveled out.

Instability of prices is common to the broiler industry just as is the case with other agricultural commodities. The farm price per pound of broilers in Georgia averaged 26.6 cents in 1953; 22 cents in 1954; 24.3 cents in 1955 and has been around 19 cents recently. Production costs tend to be rigid so that relatively small variations in prices of broilers can have a disproportionate effect on profits. Georgia produced 33,000,000 more broilers in 1954 than in 1953 but the income was up only \$8,000,000. The price per pound was up in 1955 although there was a marked increase in production.

#### **Increased Efficiency Remarkable**

The increase in efficiency in broiler production is remarkable. In 1947, slightly over four pounds of feed

were required per pound of broiler and on the average 89 days were required to produce a 3-pound bird. In 1952, only 3.4 pounds of food were required per pound of broiler and 72 days to produce a 3-pound bird. In 1955, only 2.7 pounds of feed were required per pound of broiler and only 70 days. In the Georgia "Chicken of Tomorrow Contest" with 8,000 chicks, only 2.4 pounds of feed were required per pound of broiler and at the end of 63 days they averaged weighing 3.41 pounds. The top birds weighed an average of 3.8 pounds and consumed only 2.35 pounds of feed per pound of broiler. This is really something to "crow" about. In laboratory tests, broilers have been produced on as little as 1.6 pounds of feed per pound of broiler. At the same time, the quality of the finished product has been improved. Much of the reduced cost brought about by increased efficiency has been passed on to the consumer in lower prices and better quality.

Management practices and the use of medicine in the broiler industry have developed to the point that much of the risk from disease has been removed. The mortality rate is remarkably low in well managed operations. The new medicines, high efficiency feeds, better breeding stock, and improved management make it possible to predict with a high degree of accuracy the pounds of broilers an efficient producer will have to market at the end of a feeding period. This has not always been the case.

#### **Supplier-Grower Arrangements**

There are a number of different supplier-grower arrangements. Some of these are taken up in a study on "Financing Broiler Production by Banks and Production Credit Associations in the South," a publication obtainable from the southern agricultural experiment stations. I quote from this study:

"Under the arrangements with growers, suppliers usually provide chicks, feed, and other items in the quantities needed to produce each lot of broilers. They, or their servicemen, visit growers frequently, inspect the growing chicks, and give advice on problems of management, disease control, and marketing. In return for their services and production items, suppliers usually obtain

first claim on proceeds from sale of the broilers. Growers, for their part, provide the housing, equipment, and labor required to produce broilers.

"Within this general framework, the terms of such arrangements vary widely. Some, as in the 'open-account' plan, involve an extension of credit by the supplier. In these arrangements the grower takes title to, and is responsible for, items provided by the supplier. Moreover, he retains all proceeds from sale of the broilers after paying for these items. But the arrangements under which a part of the broilers in the South are produced—such as the 'flat-fee' and 'share' plans—apparently do not involve credit from the supplier. On the contrary, they appear to be ventures in which supplier and grower share in providing the capital, labor, and management required for broiler production, and divide returns or losses from the enterprise.

#### **Flat Fee Plan**

"Under the 'flat-fee' plan, the grower receives as his share an agreed price per bird or per pound of broilers. Except for this amount, the supplier retains all proceeds from sale of the broilers. Under the various 'share' plans, any amounts by which proceeds from sale of the broilers exceed the value of the items provided by the supplier are divided between grower and supplier as provided in the agreement. If returns from broilers fail to cover the value of these items, the supplier absorbs the cash loss, and the grower received nothing for his contribution to the venture (labor, and use of house, and equipment).

"These arrangements do not involve credit from the supplier because the grower neither obtains title to, nor is required to pay for, the chicks, feed, or other items provided by the supplier. Nevertheless, even under these arrangements, suppliers are commonly said 'to finance growers.' Actually, they are not financing the grower; they are providing part of the capital used in a joint venture in which they themselves are principals."

#### **Expert Supervision, Direction**

In addition to supplying a portion of the capital required in broiler production, the suppliers have given expert supervision and direction.

It was found in the study referred

to above that approximately two-thirds of the loans made by lending institutions to borrowers, included in the study, were made to commercial concerns rather than to growers. The commercial concerns included feed dealers, hatcheries, feed mills, processors, and combinations of two or more types of such businesses. Many of these concerns extended credit to others.

#### **Bank Financing Role**

Banks in Georgia have played an important role in financing the broiler industry. A majority of the bank loans have been made to commercial concerns engaged in the broiler industry rather than to growers. These concerns included feed dealers, hatcheries, feed mills, processors, and combinations of two or more types of businesses. Banks cannot accept risks on individual broiler producing operations as large as those that suppliers commonly assume. Banks do not participate directly in broiler producing operations and cannot, therefore, offset losses on some lots with profits on others. Bank interest charges are not high enough to absorb large losses. Neither can banks afford to employ servicemen to supervise loans to broiler producers. Also, many growers prefer to grow under a contract arrangement in order to share the risks with suppliers.

Getting down to more specific cases. The Trust Company of Georgia and affiliated banks have made loans to (1) feed manufacturers; (2) equipment loans to processors; (3) loans to processors on processed poultry inventories; and (4) loans to breeders. We have participated with other banks in loans to (1) producers; (2) hatcheries; (3) feed manufacturers; (4) feed dealers; and (5) processors.

After accepting the invitation to speak on this subject, I wrote to some banks in Georgia for information on their participation in financing the broiler industry. . . . I asked the following questions: "Specifically, I would like to get some indication of the importance of your poultry financing, also the degree to which your financing is of (1) producers; (2) feed dealers; (3) processors; (4) hatcheries; (5) feed manufacturers; or (6) as a regular part of an agricultural loan."

(CONTINUED ON PAGE 143)

# Better Marketing Leads to Increased Income

A. W. JONES

**"The development of market news service is recommended for pulpwood, sawlogs, and other timber products, similar to what is being done in livestock, cotton, dairy products, poultry, and other agricultural products"**

The author is a marketing specialist associated with the Extension Service of the U. S. Department of Agriculture at the Alabama Polytechnic Institute, Auburn. This article is based on an address by Mr. JONES before the Alabama Agricultural Credit Conference in Auburn.

BETTER marketing practices offer definite opportunities for increasing income on most farms under prevailing conditions. Too, needed improvements and adjustments in marketing are relatively inexpensive, requiring less outlay in cash and fewer changes in use of farm resources than do many production adjustments.

Effective plans for increasing farm income through improvements in marketing must be based on an understanding of present-day marketing factors and trends. A look at several commodities against a background of the present situation suggests specific marketing adjustments for increased income.

In several areas interest is developing in growing more grain for market. Increasing demand for soybeans, particularly for export, indicates that many farmers can produce soybeans profitably. Important in this connection is the fact that in a period of surplus agriculture, such as we are in now, every bushel of grain we can move to foreign countries cuts the surplus load, relieves a sagging market and helps promote desirable world trade.

Cotton, our oldest cash crop, and still our biggest income producer, offers a good potential for increased income through continued improvement in grade and length of fiber.

## Quality Meat Animal Trend

One of the most rapid and far-reaching trends going on in all of agriculture is that affecting the quality of meat animals. Extra fat on market hogs, desirable during the

war years because of the shortage of lard and other edible fats, is now a severe handicap. More edible fats from several oil-producing seed crops are available and can be manufactured more economically than can animal fats. People generally know more about good nutrition and the importance of lean meat in diets. Indications are that the drop in pork's share of the nation's spendable income from 3% in 1947 to 2% in 1955 is due to too much fat. Hog-growers face a need for rapid changeover from "lardy" to "meaty" type hogs.

Although moving more slowly, consumers are taking a closer look at the excess fat on the quality grades of beef.

Farming is a highly seasonal occupation. Hog slaughter, for example, reaches a peak of over 7,000,000 head in December, followed by a low point of a little over 4,000,000 in July. Hog price averages are highest at the low point of supply and reach the low point at the period of heaviest supply, usually ranging from around 16% to 25% higher in summer than in winter. Seasonal adjustment in marketing practices offers real opportunities for increasing income from many products.

A. W. Jones



## Production and Price Cycles

Cycles in production and prices, which occur regularly with many products, including livestock, need better general understanding. This shifting from low supply and high prices to ample supply and low prices is largely fixed by the reproduction rate of each animal, which determines how fast market supplies rise or decline. In egg production, for example, a high producing hen may lay enough eggs to raise 140 pullets annually. Poultrymen can and do respond quickly to increases in egg prices by raising more layers. Then the larger number of hens leads to overproduction of eggs and low prices. Egg production and egg prices in recent years have been moving up and down in a surprisingly uniform tight two-year cycle.

## Beef Cattle

Beef cattle, on the other hand, are slow breeders and, therefore, have one of the longest production and price cycles of any farm product—usually around 12 years. The current big break in cattle prices could have been avoided if, in 1951, we had realized that a large backlog of slaughter animals was building up and prices were likely to decline. What is needed to correct these severe up-and-down cycles in production and prices is the adoption on each farm of a steady year-to-year operation, adjusted to a farm and market setup, rather than to follow the practice of chasing prices up and down.

In dairying, the fluid milk market offers a choice but limited market. Expansion of milk production for manufacturing purposes offers opportunities, but at a narrow margin. To get in and stay in this kind of business, producers and agencies that finance them must aim at maximum efficiency in production. This involves production of most of the

(CONTINUED ON PAGE 138)



## **Christmas Club members can use all your services**

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**... blue collar workers**



**... office workers and executives**



**... even future business leaders!**



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**BUILDS SAVINGS**

**BUILDS CHARACTER**

**BUILDS BUSINESS FOR FINANCIAL INSTITUTIONS**

# NEWS for Country Bankers

*This department is edited by MARY B. LEACH of BANKING'S staff.*

## BofA Men Study Agriculture

A BANKERS' short course in agriculture, first of its kind on the Pacific Coast, has been completed successfully by 30 Bank of America N.T. & S.A. officers at the Davis Campus of the University of California. A cooperative effort between the University's Extension Service and the bank, the course drew branch officers of the statewide bank to the agricultural research and instruction center from June 11 through June 22.

Selected from farm areas throughout the state, the bankers already had some knowledge of farm operations. In the short course they were given basic principles and recommended practices in soils, irrigation, farm machinery, and leading California crops, as well as in typical farm livestock enterprises. The bankers, many of them branch managers, were required also to analyze a farmer's operation using a budget process. Their analysis and recommendations were related to the crops, livestock, and costs of an actual farm.

S. Clark Beise, Bank of America president, emphasized that the course was not designed to provide training in bank credit but rather to "provide our officers with a wider view and more complete understanding of the farm management field and problems faced daily by farmers in California."

Interviews with the banker-students, who lived on the campus and attended classes and field trips with Davis faculty members as their tutors, indicated satisfaction with the two-week session. They reported that an important aspect was the opportunity to become acquainted with the varied agricultural activities in all parts of the state.

The students drew heavily from this extensive research backlog. An

example occurred in a lecture on row crop production in which the instructor discussed mechanization versus hand labor in thinning sugar beets.

"In humid midwestern sugar beet growing areas, mechanical thinning of sugar beets is common, but in California it is seldom done," reported Agronomy Instructor Dale G. Smeltzer. "Recent research here has shown that the reduced cost of production gained by mechanical thinning is more than offset by reduction in the value of the sugar produced." Such information from research, the bankers were told, is the type required in making sound farm management decisions.

## Industrial Forestry Study

THE Yale University School of Forestry will join with the University of California next year to sponsor an industrial forestry seminar in Berkeley, Calif.

The California meeting to be held in January 1957, will be one of a series of three seminars to be held next year by the Yale Forestry School for top executives in industrial forestry.

The series was started at Yale last year in New Haven and attended by forestry executives from all parts

of the country. The seminars were found to be so successful that they will be continued in 1956-57 with the first and the third to be held at Yale and the second one, in January, to be out in California, to accommodate West Coast executives.

Ernest T. F. Wohlenberg, professor of industrial forestry, at Yale, is director of the seminars. He announced that the first seminar, in New Haven, will run from October 22 through November 2, 1956.

The second seminar will be at the University of California with the exact dates in January 1957 to be announced later. This seminar will be under the joint auspices of the Yale and California forestry schools. And the third seminar will be at Yale in March 1957.

## Savidge on Soil Fertility

MORE than 1,050 radio stations used a recorded talk by Edgar T. Savidge, deputy manager of the American Bankers Association in charge of the Agricultural Commission, entitled "Financing Soil Fertility." This recording was made by Mr. Savidge in cooperation with the National Plant Food Institute, Washington, D. C., and was one in a series released by the Institute.

Mr. Savidge spoke as follows:

A California farmer's viewpoint on sound agricultural practices is given by Kenneth Haussler, standing, to Bank of America branch managers and lending officers visiting the 637-acre farm Haussler manages jointly with his brother





Three hundred friends, governors, Congressmen, state assemblymen, members of the Virginia Board of Conservation and Development, industrial, business, and civic leaders attended a testimonial dinner honoring C. S. Carter, chairman, Dominion National Bank, Bristol, Va., and chairman, Virginia Board of Conservation and Development, for 20 years of service under six governors to the cause of conservation and development. Mr. Carter is a former president of both the Virginia Bankers Association and the Bristol Chamber of Commerce. He is shown in his office at the bank

"Agricultural economists have determined that it requires about 2½ acres of crop-land to produce the food each one of us consumes. This does not include the acreage for animal products or timberland. With better than 3½ acres of crop-land available for every person in the United States, it is understandable that some of us are rather complacent about the whole business.

"Well, I figure that the situation with respect to our land—our soil account—is about like that with a bank account: the time for a depositor to start worrying about his withdrawals is while he still has a good balance—not to wait until he starts to receive overdraft notices or has to go into his savings account. The time to worry about our soil account is while it is still in the black—not to wait until we've whittled down our 3½ acres and have an overdraft on the 2½ acres.

"It is essential that we build our soil reserves—nationwide and farm by farm—just as it is important for banks or other businesses to provide financial reserves against future needs and emergencies.

"It is evident that farmers are using fertilizer to help maintain

their soil reserves. Annual purchases of agricultural chemicals have expanded rapidly. The rate of increase in fertilizer use since 1948 has continued upward even when income declined. The increasing use of fertilizer on our nation's farms indicates that farmers have found fertilizer applications profitable.

#### From Lender's Standpoint

"Increasing soil fertility from a lender's standpoint tends to help protect and insure a farmer's line of credit. Scores of banks have indicated that they look upon fertilizer lending in this manner—as an assurance that their customers will have good crop yields, high producing pastures, and adequate feed supplies to keep their operations going on a profitable basis.

"The continued expansion in farmers' use of fertilizer has special meaning for bankers as they are being asked to make more loans in order to finance the purchase and application of fertilizer. From the lending standpoint there seems to be little difference between loans for normal fertilizer use and other short-term loans to meet production expenses. The experience of lenders suggests no special security, terms, or risks involved for fertilizer loans. Many banks include funds for this purpose as part of a regular loan for crop expenses. In fact, the banks of the nation now hold over \$3-billion in farmers' loans for production purposes and much of this borrowed money is for fertilizer purchases.

"A soil analysis is the first step and some banks require a copy of this analysis when making a loan. Fertilizer, used in accordance with

the recommendations of the state agricultural experiment station, will enable farmers to substantially lower production cost and to increase their profits.

"The use of fertilizers should be a part of an over-all crop and soil management program. They cannot take the place of desirable cropping practices. Where fertilizer use is in line with recommendations and approved soil management, most banks will extend credit for fertilizer as they realize that this increases income and assures the repayment of the loan."

#### Lobby Milk Vending Machine

THE Dairy State Bank in Plymouth, Wisc., has found a way to help cut down the milk surplus and please its dairy farmer patrons at the same time.

The bank has installed a milk-vending machine in its lobby, with a sign that reads "Increase your own income and the farmer's income by helping yourself to a glass of milk—FREE." The gesture shows the farmers that the bank has their interests at heart, and reminds other patrons that dairying is an important local industry.

#### Carolina Farmers', Bankers' 6-State Marketing Tour

A THREE-BUS caravan of Carolina bankers and farmers spent five days during June touring model farming areas in six Southeastern and Middle Atlantic states. Ninety-six men and women from North and South Carolina and Virginia brought back with them notebooks filled with

The Northwestern National Bank of Minneapolis celebrated the June Dairy Month by exhibiting in its lobby Blonde Risa from Farmington, Minn.—one of the country's top milk producing cows (8,806 pounds of milk last year). During "Blondy's" visit to Northwestern, the bank gave away free glasses of milk, with more than 12,000 accepting this mid-day refresher.



Mayor Eric Hoyer is shown milking Blonde Risa in lobby

facts on scientific farming, on the advantages of adequate marketing facilities for agricultural products and on the value of processing plants for handling surplus vegetables and fruits.

Labeled "The Marketing Caravan," the tour was sponsored by Wachovia Bank and Trust Company in cooperation with North Carolina State College and the North Carolina Department of Agriculture. Wayne Corpening, Edmund Aycock, and O. J. Howell, Jr., of Wachovia's agriculture department, were in charge.

With North Carolina's farm economy handicapped by a lack of adequate markets and processing plants for agricultural products, the caravaners sought out sections of the East and South noted for agricultural achievement. At each stop they found marketing facilities within the area. In many places the principal market was a cannery or freezing plant.

#### Seabrook Farms

By far the largest-scale single operation inspected by the caravan was Seabrook Farms near Bridgeport, N. J. This assembly line truck farm takes vegetables from the field to the package in less than two hours. The giant processing and freezing plant provides a stable market for 50,000 acres of South Jersey cropland (20,000 of which is owned by Seabrook) and turns out 15% of America's entire output of frozen vegetables.

Seabrook was described as one of the nation's best examples of complete agricultural integration from farming to processing, packing, and distribution. Packed each year are 90,000,000 pounds of fruits and vegetables. The latest methods of scientific farming are practiced

T. H. Haywood, North Carolina farmer and a director of Wachovia Bank and Trust Co., Winston-Salem, right, presented Honorary Tarheel awards to G. S. Mann, first vice-president, and W. E. Alexander, president, Lancaster County (Pa.) National Bank, and L. H. Brubaker, Master Farmer of Lancaster, in recognition of their support of agriculture. The awards were made on behalf of Governor Luther H. Hodges when 96 Carolina bankers and farmers visited Pennsylvania to study marketing facilities



and one of the world's largest fleet of tractors, plows, harvesters, and other special machines is utilized to produce food at the lowest possible cost.

In summary, the outstanding examples of production, processing, and marketing studied on the tour showed that:

(1) The farmer's income today depends on efficient management in both production and selling.

(2) Selling depends on processing for quality and packaging to command eye appeal for the consumer.

(3) The "strong trend" now is toward larger and larger processing and marketing groups.

#### Governor Gets Soil Award

THE Hon. Raymond Gary, Governor of Oklahoma, was one of 20 farm and ranch owners to receive the Oklahoma Bankers Association's banker award for soil conservation.

The First National Bank, Madill, and the Madill National Bank were hosts at a meeting at the Rodeo

Arena, Madill, attended by 200 farmers, ranchers, and businessmen. M. B. Bryant, president, Madill National, emceed the event.

"The Public's Stake in Soil Conservation," was the subject of an address by George H. C. Green, vice-president, Liberty National Bank & Trust Co., Oklahoma City, and chairman, OBA's Agricultural Committee.

The banker awards were presented by OBA Executive Secretary Charles L. Fuson. Governor Gary presented a special award to his father for his more than 40 years of farm operations.

#### Utah's 4-H Awards

IN its recent annual report, the Agriculture and Livestock Committee of the Utah Bankers Association recommended that the association's short course in agriculture for young farmers and its bankers' agricultural short course be continued. The chairman of the committee is Fred H. Thompson, assistant cashier, Cache Valley Banking Company, Logan, Utah.

The committee also reported that during the year country key bankers have presented 4-H club members and leaders with 9,861 member and leader certificates, and 1,100 member and leader pins.

The pins and certificates were paid for by the Utah Bankers Association and the awards made at appropriate meetings in the local areas.

The short course for young farmers will be held at the Utah State Agricultural College on February 13-18.

Oklahoma's Governor Gary, right, receives the Oklahoma banker award from President Bryant, center. Roy Lockhart, executive vice-president, First National Bank, Madill, left





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# BANK LAW NEWS

## Bank Examinations—Lotteries

### BANK EXAMINATIONS

Supervisory examinations of financial institutions are not made as a service to the examined.

A DECISION of the Federal District Court for Maryland casts some light on governmental supervision of Federal credit unions and contains some interesting observations on the nature and purpose of supervisory examinations of all financial institutions.

Plaintiff credit union sued the United States, under the Federal Tort Claims Act, to recover losses sustained as the result of the embezzlement of some \$395,000 by its office manager over a period of years. It contended that the Government owed it the duty of conducting regular examinations to verify its accounts and to communicate to it whatever facts the examinations disclosed, that examiners of the Bureau of Federal Credit Unions had been negligent in failing to discover its manager's embezzlements, and that such negligence gave it and the insurance company which had insured the manager's fidelity, the right to recover that loss from the Government.

The court disagreed. Examinations of financial institutions, such as banks or credit unions, are required by law for the purpose of supplying the Government's supervisory authorities with information necessary to perform their regulatory function, not as a service to the individual institutions, and their primary function is neither the detection of fraud nor the verification of accounts, it held. It granted that if a defalcation is discovered or suspected, the facts should be communicated to the proper officials of the institution involved, but it held that such communications are made "in the exercise of the regulatory function," not because of any statutory

duty. Reliance for the detection of irregularities should be placed principally upon the maintenance of an adequate accounting system with appropriate internal control, the court said.

Responsibility for the verification of accounts rests with the officers and directors of a bank, and with the supervisory committee of a credit union, and if they are not qualified or willing to do this work, "they should employ an independent accountant to make such an audit," the court observed.

The court received expert testimony, to the effect that the supervisory examinations of plaintiff credit union's affairs did not measure up to the standards of certified public accountants examining the smallest of banks. However, it was the court's opinion that the experts "applied too high standards in judging the performance of the examiners. They applied standards applicable to the major leagues, whereas, because of the salary limitations imposed by the budget, minor league standards would be more appropriate."

Granting that the examiners had not even complied with the standards set forth in the Bureau of Credit Union's own guide for examiners, the court said that "the guide imposed impracticable, if not impossible, standards" for the single examiner whom the Bureau customarily delegates to examine a credit union.

Furthermore, the court found that the officers of plaintiff credit union had paid little if any heed to such facts as the Bureau's examiners had disclosed to them. "It is still true," said the court, "that 'if the blind lead the blind, both shall fall into the ditch.' In this case the law placed certain duties on the guides, and other duties on the

guided. The Government has waived sovereign immunity with respect to particular types of claims; it has not assumed the role of an over-indulgent uncle who will always rescue his nephews from the results of their own folly or misfortune." Social Security Admin. Baltimore Federal Credit Union v. U. S. 138 F.Supp. 639.

### LOTTERIES

NEW JERSEY'S highest court, with one judge dissenting, has held that a business promotion program of a neighborhood association of banks and other businesses, featuring the distribution of coupons entitling the holders thereof to participate in a drawing for an automobile and other valuable prizes, "involves all the evils of a classic lottery from the standpoint of the public welfare . . . aggravated by the specious appearance of innocence," and violates the state's lottery statute, even though the coupons were distributed to the general public without cost or other consideration. State v. Fary, 117 A.2d 499.

### CIRCUMSTANCES ALTER CASES

THAT the prior course of dealing between parties rather than general rules of law can control the outcome of a case is illustrated in decisions of two state supreme courts.

In Kansas a depositor sued her bank to recover money disbursed from her savings account, allegedly without her authority, in payment of checks drawn by her brother-in-law and a withdrawal order signed by her husband. The evidence indicated that the bank had made the payments in compliance with oral instructions from the depositor. Accordingly, the state supreme court held: "The usual method of withdrawing funds from a savings bank

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or department is by means of a written order or voucher presented with the depositor's passbook. A bank may, however, if it so desires, waive its right to a written order and pay out a fund on deposit or transfer the deposit to the name of another on the oral order of the depositor." Mathey v. Central National Bank, 293 P.2d 1012.

In Mississippi a dealer purchased an automobile and gave the seller an instrument—either a check or a draft, the court was not certain which, and found it unnecessary to decide the question — ordering his bank to pay the seller the \$1,075 sales price. Printed at the top of the instrument was the legend: "Title papers must be attached." Seller deposited the instrument in his bank without title papers attached. The bank sent the instrument on for collection. At the maker's direction the drawee bank returned it unpaid. By that time the seller had gone bankrupt, after having been permitted to withdraw the amount of the instrument. The bank sought to collect from the dealer who had made the instrument. He in his turn alleged defects in the seller's title to the car and argued that the fact that no title papers were attached to the instrument was sufficient to have put the bank on notice of possible defects of title. However, the evidence indicated that a custom had been established between the parties involved, over the previous two years, by the payment of similar instruments without title papers attached. Accordingly, Mississippi's Supreme Court held that the absence of the papers was not sufficient to have put the bank on inquiry for defects. McKinnon v. Grenada Bank, 85 So.2d 458.

### BRIEF NOTES

**U. S. Arbitration Act:** Although employment contract to be performed in Vermont was made in New York between residents of New York, and contained provision that any dispute arising thereunder would be submitted to arbitration under New York law, question whether the arbitration clause was revocable was for decision under Vermont law, rather than New York law, where action was brought in Federal court in Vermont. Bernhardt v.

Polygraphic Co. of America (U.S. Sup. Ct.) 76 S. Ct. 273.

**Corporation checks:** Bank which accepts check payable to corporation and endorsed in corporate name by its president, in whose account it is deposited, is chargeable with notice of possible misappropriation of proceeds; but drawer, to recover against the bank, must prove not only that there was a diversion of the proceeds but also that he incurred a loss. *Commercial Trading Co. v. Trade Bank & Trust Co.* (N.Y. Sup. Ct., App. Div., 1st Dept.) 146 N.Y.S. 2d 570.

**Forged signature:** Payments made on altered or forged checks may not be charged to depositor's account even though alteration or forgery was committed by depositor's employee, unless bank was free from negligence and depositor's conduct contributed to the loss. *Pacific Coast Cheese v. Security First National Bank* (Cal. Sup. Ct.) 286 P.2d 353.

**President's authority:** Bank president has neither actual nor apparent authority to make agreement releasing stockholder of borrowing corporation from his continuing guaranty of the loan, but if bank's directors ratify the agreement, then the release binds the bank. *Home Savings Bank v. Gertenbach* (Wisc. Sup. Ct.) 71 N.W.2d 347.

**Savings and Loan Associations:** National banks, state banks, and industrial loan companies are not "local thrift and home financing institutions" and, thus, are not protected from undue competitive injury from new building and loan associations chartered by the Federal Home Loan Bank Board under the provisions of the Home Owners' Loan Act. *Union National Bank of Clarksburg v. Home Loan Bank Board* (U. S. Ct. App., Dist. of Columbia) 24 LW 2520.

**Credit unions; S & L associations:** Issuance of checks is a banking function, and in the absence of specific legislative authority, credit unions and savings and loan associations may not legally sell "register" checks, treasurer's checks and similar forms of money orders to their customers. Op. A.G., Illinois, No. 267, Nov. 10, 1955.

(CONTINUED ON PAGE 140)



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# BANKING NEWS

## Speakers at ABA Division Meetings at Los Angeles Convention Are Announced

### September Issue Will Announce The General Session Speakers

The program for the 82nd annual convention of the American Bankers Association, to be held in Los Angeles, October 21-24, is nearing completion. The 4-day national meeting will attract bankers from all sections of the country.

Although the convention sessions are nearly three months in the future, the four Association divisions have mapped out preliminary programs for their sessions which will be held on Monday, October 22. The general sessions of the convention will be held on Tuesday and Wednesday, while annual meetings of commissions, committees, and other working groups of the Association will be on Sunday, October 21.

### National Leaders to Speak

In addition to the officers of the divisions, speakers on the Division programs will include such national leaders as Dr. Rufus B. von Klein-Smid, chancellor, University of Southern California, Los Angeles; Wellwood E. Beall, senior vice-president, Boeing Airplane Company, Seattle, Wash.; the Honorable Ray M. Gidney, Comptroller of the Currency, Washington, D. C.; Elliott V. Bell, editor and publisher, *Business Week*, New York City; Harold Quinton, president, Southern California Edison Company, Los Angeles; H. J. Marshall, president, Manufacturers National Bank, Troy, N. Y., and chairman, A.B.A. Public Relations Council; and J. R. Doscher, exec. director, Operation Home Improvement, New York City.

Division officers include: NATIONAL BANK DIVISION — Gibbs Lyons, president, First-Stamford National Bank & Trust Company, Stamford, Conn., president, and Sam M. Fleming, president, Third National Bank in Nashville, Tenn., vice-president; SAVINGS AND MORTGAGE DIVISION—Earle A. Welch, treasurer,



G. M. Matthews



R. F. Goodwin

## State Supervisors Will Hold Annual Convention in San Francisco, Oct. 18-19

### Speakers Will Include Prominent Bankers and Supervisory Officials

The 55th annual convention of the National Association of Supervisors of State Banks will be held at the Mark Hopkins Hotel, San Francisco, on October 18 and 19, according to President Guerdon M. Matthews. There will be a morning and an afternoon session on Thursday, October 18, and a morning session on Friday, October 19.

Greetings will be extended by California's Governor, the Hon. Goodwin J. Knight, and by San Francisco's Mayor, the Hon. George J. Christopher. Logan R. Ritchie, first vice-president of the NASB, will respond to these greetings.

Mr. Matthews is Banking Commissioner for the State of Wisconsin

Meredith Village (N.H.) Savings Bank, president, and Daniel W. Hogan, Jr., president, City National Bank & Trust Company, Oklahoma City, vice-president; STATE BANK DIVISION—Robert H. Bolton, president, Rapides Bank and Trust Company in Alexandria, La., president, and A. K. Davis, chairman of the board, Wachovia Bank and Trust Company, Winston-Salem, N. C., vice-president; and TRUST DIVISION—Richard P. Chapman, president, The Merchants National Bank of Boston, Mass., president, and Thoburn Mills, vice-president and trust officer, The National City Bank of Cleveland, vice-president.

The general session speakers will appear in our September issue.

## NABAC's 32nd Annual Convention to be Held in Washington, Sept. 17-20

### Supervisory Panel Will Discuss Auditing and Bank Examinations

The advance program for the 32nd annual convention of the National Association of Bank Auditors and Comptrollers at the Shoreham Hotel, Washington, D. C., Sept. 17-20, is announced by Robert F. Goodwin, the association's president, and comptroller of the Wachovia Bank and Trust Company, Winston-Salem, N. C. About 1,800 delegates are expected.

Features include a panel of supervisory authorities who will discuss auditing and bank examinations. Another session will offer "Electronics Prospects in Banking," a presentation by executives and research directors of business machine manufacturers.

Two sessions will be devoted to simultaneous meetings, one for small, the other large banks. Small banks will hear: a panel discussion

(CONTINUED ON PAGE 97)

and Mr. Ritchie is Commissioner of Banking for the Commonwealth of Virginia.

Other prominent bankers who will speak at the convention include J. Stewart Baker, chairman, executive committee and president, The Chase Manhattan Bank, New York; Frank L. King, president, California Bank, Los Angeles; and Edward F. James, treasurer, Fidelity Philadelphia Trust Co., Philadelphia, and president, National Association of Bank Auditors and Comptrollers. John Forrest, financial editor, *The New York Times*, will be another speaker.

Federal officials who will speak include C. Canby Balderston, vice-chairman, Board of Governors, Federal Reserve System; Eugene R. Black, president, International Bank for Reconstruction and Development; H. Earl Cook, chairman, Federal Deposit Insurance Corporation; and Ray M. Gidney, Comptroller of the Currency.

## NABW's 34th Annual Convention Program Will Feature Customer Services, Correspondent Banking, and Automation

The program for the 34th annual convention of the National Association of Bank Women to be held at the Radisson Hotel, Minneapolis, Minn., September 18-21, will emphasize the expansion of customer services, improved personnel education and training, correspondent banking services, and automation progress according to President Virginia A. Rehme, who is vice-president, Southern Commercial and Savings Bank, St. Louis, Mo.

The general convention chairman is Mary K. Cunningham, assistant manager, Lincoln Office, Northwestern National Bank, Minneapolis.

### Prominent Women Speakers

At the first business session on September 18, Mrs. Orville Freeman, the wife of Minnesota's Governor, will welcome the 400 women bankers to the Minneapolis convention. Margaret Hickey, contributing editor, *Ladies Home Journal*, St. Louis, Mo., will speak on "The Near Look at the Far Vision" at a luncheon on Tuesday.

Wednesday morning, September 19, will be devoted to three panel discussions. Elizabeth A. Brady, assistant treasurer, Bankers Trust Company, New York City, will act as moderator for a discussion of "Correspondent Bank Services"; Elenore Poth, First Wisconsin National Bank, Milwaukee, will moderate a discussion of "Consumer Lending"; and Roberta R. Ashford, assistant cashier and assistant trust officer, Florida National Bank, Jacksonville, will be chairman of the "Trust Services" session, at which a skit entitled "Removing the Iron Curtain" will be presented by six Florida bank women.

### W. Harold Brenton to Speak

W. Harold Brenton, president, State Bank of Des Moines, Iowa, and former A.B.A. president, will be the guest speaker at the Jean Arnot Reid luncheon on Wednesday. At this luncheon a \$100 award and embossed scroll will be presented to a woman Standard Certificate graduate of the American Institute of Banking. The person chosen cannot be a member of the NABW and cannot be an officer of a bank at the time she completed require-



Virginia Rehme



Bee Bush

ments for the Standard Certificate. She is traditionally chosen from the top-grade bracket of A.I.B. "SC" graduates; must have made a good record in her bank; and must have made an outstanding contribution of service to her community.

On Thursday, September 20, there will be two panel discussions and a concluding address on "Automation." Ruth B. Lundsten, executive vice-president, the Buffalo (Minn.) National Bank, will moderate a discussion of "Country Bank Management," while Juliette D. Mannheim, the Chase Manhattan Bank, New York City, will moderate a panel on "Employee and Customer Relations." Harry E. Mertz, assistant vice-president, LaSalle National Bank, Chicago, will speak on "Automation."

Arleth Haeberle, noted Minneapolis Radio and TV station WCCO women's activities director, will speak at a "Carousel" luncheon. The afternoon will be free and preceding the President's Dinner, an annual event, the Minneapolis Clearing House Association will tender a reception to the women bankers.

### Bee Bush to Presidency

At a breakfast on Friday morning, the concluding business session will be held, during which new officers will be installed. Bee Bush, vice-president, Valley National Bank, Phoenix, is NABW vice-president and will be nominated for the presidency to succeed Miss Rehme.

Other convention entertainment will include a tour of Minneapolis and a dinner at the Town and Country Club, St. Paul, on Tuesday, and a reception and tea for the delegates given by the American Express Company on Wednesday, September 19. A 3-day trip to the northern Minnesota lake region will be available to delegates wishing to register for this postconvention outing.

## 37 Banks in 10 States Become A.B.A. Members

Thirty-seven banks in 10 states and the Philippines became members of the American Bankers Association during June, according to Glen C. Mellinger, chairman of the Association's Organization Committee. Mr. Mellinger is vice-president of The Detroit Bank.

An intensive drive for A.B.A. memberships in Pennsylvania is reflected in the July report.

The new A.B.A. member banks include:

**CALIFORNIA:** First Western Bank & Trust Co., Main Office, Los Angeles\*; Wells Fargo Bank, San Carlos\*, South San Francisco Office\*; and Crocker-Anglo National Bank, Cherry Chase Office, Sunnyvale\*.

**GEORGIA:** Southern Bank, Waycross\*.

**INDIANA:** Goodland State Bank, Goodland.

**KENTUCKY:** Citizens Bank of Pikeville, Elkhorn City Branch\*; and Liberty Savings Bank, Mayfield\*.

**MICHIGAN:** National Bank of Royal Oak, Royal Oak\*.

**NEW MEXICO:** First National Bank, Drive-in Branch, Tucumcari\*.

**OREGON:** Multnomah Bank, Hillsdale Branch, Portland\*.

### "Pennsy" Drive Shows Gains

**PENNSYLVANIA:** Altoona Trust Company, Eighth Avenue Branch; Central Trust Company, Logan Boulevard Branch, Altoona; Peoples Union Bank, Bentleyville Branch; Peoples First National Bank & Trust Company, St. Clair Office, Bethel; Peoples First National Bank & Trust Company, Coraopolis Office; Peoples Union Bank, East McKeesport Branch; Johnstown Bank & Trust Company, Geistown Branch; Peoples National Bank of Norristown, Jeffersonville Branch; Peoples First National Bank & Trust Company, Monroeville Office.

Also, Peoples National Bank of Norristown, King of Prussia Branch, Montgomery County\*; First Camden National Bank & Trust Company, Philadelphia Office; Western Saving Fund Society, Castor-Cottman Center Branch; 6625 Castor Avenue Branch; 4 South 42 St. Branch; 4643 Frankford Avenue Branch; Front & York Streets Branch; Germantown Ave. & Venango St. (CONTINUED ON PAGE 97)



"A. G."

## A. G. Brown, Retired ABA Deputy Manager, Died June 28 After Prolonged Illness

### Was in Charge of Association's Services to Farmers Education

A. G. Brown, 65, retired deputy manager of the American Bankers Association in charge of its Agricultural Commission, died in Toledo, Ohio, on June 28 after an illness of several months.

Mr. Brown spent his entire career in the service of country banks and farmers. He was born in Armstrong, Ill. Upon graduation from Northwestern University at Evanston, Ill., in 1912, he became cashier of the First National Bank at Willisville, Ill. A year later, he was elected president of the First National Bank in Dieterich, Ill.

From 1917 to 1930, Mr. Brown was president of the First National Bank at Greencastle, Ind. He also served as president of the Indiana Bankers Association in 1928-1929.

In 1930, Mr. Brown moved to Louisville, Ky., to become president of the Federal Land Bank of Louisville and the Federal Intermediate Credit Bank. He held these posts for five years, leaving in 1935 to become president of the Ohio Citizens Trust Company in Toledo, Ohio.

### Joined A.B.A. in 1940

In March 1940, he joined the staff of the American Bankers Association as a deputy manager and as director of its Agricultural Commission. The Agricultural Commission is the group in the Association that

## 95 AIB Associate Councilmen Have Been Named to Assist Executive Councilmen in Chapter and Study Group Work

The appointment of 95 associate councilmen of the American Institute of Banking for 1956-57 was announced by Leroy S. Clark, president of the Institute, and vice-president, The Marine Midland Trust Company of New York, New York City.

Each of the 12 members of the Executive Council, the Institute's governing body, has several states under his jurisdiction. Associate councilmen are appointed by each Executive Council member to assist in the promotion and development of Institute chapters and study groups. Thirty-two of the associate councilmen appointed for the coming year are new, and 63 are re-appointments.

In the following list, the names of the executive councilmen are in alphabetical order, with the associate councilmen in their respective districts following.

**OSMOND A. BURTON**, Valley National Bank, Phoenix, Ariz. **Arizona**: J. Wilson Barrett, Valley National Bank, Phoenix. **Southern California**: C. Leo Rachford, Bank of America N.T. & S.A., Pasadena, and Paige V. Simpson, The First National Trust and Savings Bank of San Diego.

**T. CRAWFORD CLARK**, Jacksonville Branch, Federal Reserve Bank of Atlanta, Jacksonville, Fla. **Alabama**: George E. Murphree, Security Commercial Bank, Birmingham, and Ben W. Riall, The Merchants National Bank of Mobile. **Arkansas**: Charles H. Orth, Union National Bank of Little Rock. **Florida**: Floyd M. Call, Florida Bankers Association, Orlando; Arthur McCormack, First National Bank, Miami; and A. R. Walsh, Florida National Bank, St. Petersburg. **Georgia**: R. Winston Cagle, The Bank of Georgia, Atlanta, and Walter L. Jackson, Citizens & Southern DeKalb Bank, Avondale

carries on the educational work of the Association in the field of banking service to farmers. Mr. Brown retired from the A.B.A. on December 31, 1955.

He is survived by his widow, Mrs. Marion Brown; four sons; nine grandchildren; his father, E. A. Brown of Greencastle, Ind.; and a brother and a sister.

**Estates. Louisiana**: Thomas W. Jones, Fidelity National Bank, Baton Rouge. **Mississippi**: Truman W. Ellis, Deposit Guaranty Bank & Trust Company, Jackson. **Tennessee**: Ralph Colley, First National Bank of Memphis, and Margaret Guiles, Third National Bank, Nashville.

**MILTON F. DARR, JR.**, La Salle National Bank, Chicago. **Illinois**: William J. Nickles, First National Bank, Peoria, and Joseph Wahala, The South East National Bank of Chicago. **Indiana**: William T. Rasmussen, Merchants National Bank & Trust Company, Indianapolis, and John J. Williams, Gary National Bank, Gary. **Kentucky**: Larry Arthur, Louisville Branch, Federal Reserve Bank of St. Louis, Louisville. **Wisconsin**: Russell C. Keith, First Wisconsin National Bank, Milwaukee, and George S. Updegraff, Wisconsin Bankers Association, Milwaukee.

**CLARENCE F. EDNER**, First Western Bank & Trust Company, San Francisco. **Northern California**: Richard Donovan, Bank of America N.T. & S.A., Pleasant Hill, and John M. Losada, Bank of America N.T. & S.A., San Jose. **Nevada**: Vern Waldo, First National Bank of Nevada, Reno. **Utah**: S. Albert Spalding, Walker Bank and Trust Company, Salt Lake City.

### New York and New Jersey

**WILLIAM P. EYRING**, Liberty Bank of Buffalo, Buffalo, New York. **New Jersey**: John B. Cole, Jr., First Mechanics National Bank, Trenton, and E. Floyd Gurney, County Bank & Trust Company, Paterson. **New York**: Richard H. Albertson, Poughkeepsie Trust Company; Allalee A. Babbidge, Marine Trust Company of Western New York, Buffalo; John J. Early, Marine Midland Trust Company of Southern New York, Binghamton; Joseph F. Gavin, Jr., State Bank of Albany, Watervliet; and Marie M. Olsen, Franklin National Bank, Franklin Square.

**ERNEST J. HAUGBERG**, First National Bank of St. Paul, Minn. **Colorado**: Lester H. Jordan, Colorado National Bank, Denver, and A. H. Trautwein, The Greeley National Bank. **Iowa**: Arnold B. Dresser. (CONTINUED ON NEXT PAGE)

## 95 A.I.B. Associate Councilmen Named

(CONTINUED FROM THE PRECEDING PAGE)

ler, Central National Bank, Des Moines, and Leslie H. Olson, Toy National Bank, Sioux City. *Kansas*: W. C. Hartley, Commercial National Bank, Kansas City, and Bryan A. Staats, Hutchinson State Bank, Hutchinson. *Minnesota*: Donald L. Smith, First National Bank of St. Paul, and Stanley R. Wheaton, First National Bank of Elk River. *Missouri*: Roland Petering, Mercantile Bank and Trust Company, Kansas City, and Bernard J. Wilkins, First National Bank of Clayton. *Nebraska*: R. Max Peterson, Continental National Bank, Lincoln, and Lester E. Souba, Packers National Bank, Omaha. *North Dakota*: Emil E. Kautzmann, The First National Bank of Mandan; Bernard P. McDermott, First National Bank in Grand Forks; and M. Agnes Newman, Dakota National Bank, Fargo. *South Dakota*: Richard G. Munce, Northwest Security National Bank, Sioux Falls, and A. E. Stoa, First National Bank of Aberdeen.

### New England

JOHN H. HOWARD, JR., Federal Reserve Bank of Boston, Boston, Mass. *Connecticut*: Thomas Hooker, The First National Bank & Trust Company, New Haven, and Carl W. Trewella, Hartford National Bank & Trust Company, East Hartford. *Maine*: Edward I. Conner, Bangor Savings Bank, and Dorothy A. O'Melia, Maine Savings Bank, Portland. *Massachusetts*: Raymond D. Bositis, Worcester County Trust Company, and John F. Elsbree, Rockland-Atlas National Bank, Boston. *New Hampshire*: Eugene H. Woodward, Jr., New Hampshire Savings Bank, Concord. *Rhode Island*: Norman T. Worthington, Citizens Savings Bank, Cranston. *Vermont*: Philip R. Corker, First National Bank, Montpelier; William H. Dennisson, Vermont Savings Bank, Brattleboro; and Wilbur Perry, Howard National Bank & Trust Company, Burlington.

J. WALDO LIVINGSTON, First National Bank & Trust Company, Tulsa, Okla. *New Mexico*: William C. Stein, First National Bank in Albuquerque. *Oklahoma*: Ted R. O'Shea, Admiral State Bank, Tulsa, and Albert B. Swirczynski, First National Bank & Trust Company, Oklahoma City. *Texas*: Harry H.

Howle, Lubbock National Bank; Daniel N. Liner, Republic National Bank of Dallas; N. A. Moore, Jr., City National Bank, Wichita Falls; and Carl Schriewer, Federal Reserve Bank of Dallas, San Antonio.

DAVID LLOYD, JR., Wyoming National Bank, Wilkes-Barre, Pa. *Pennsylvania*: Fremont F. Eich, Reading Trust Company; John T. Rendle, The First National Bank of Scranton; Thomas W. Schofield, Jr., Peoples First National Bank & Trust Company, Pittsburgh; Mordecai H. Templeton, First Blair County National Bank, Tyrone; and Robert D. Womer, Lebanon County Trust Company. *West Virginia*: Robert O. Ellis, Jr., Huntington Trust & Savings Bank.

### Middle Atlantic

RALPH H. MITTENDORFF, American Security & Trust Company, Washington, D. C. *Delaware*: Marshall C. Tyndall, Sr., Equitable Security Trust Company, Wilmington. *Maryland*: S. Charles Froehlich, Union Trust Company of Maryland, Baltimore. *North Carolina*: Jesse Helms, North Carolina Bankers Association, Raleigh; Clyde Holder, Wachovia Bank & Trust Company, Winston-Salem; and Henry S. Lougee, Durham Industrial Bank. *South Carolina*: E. R. Alexander, South Carolina Bankers Association, Columbia, and William J. Burroughs, Citizens and Southern National Bank, Spartanburg. *Virginia*: Rawley F. Daniel, Virginia Bankers Association, Richmond; T. E. Foster, National Bank of Commerce, Little Creek, Norfolk; and Elsie G. Hartwell, Colonial American National Bank, Roanoke.

JOHN F. OTTO, The United States National Bank, Portland, Ore. *Montana*: D. J. O'Donnell, Security Trust and Savings Bank, Billings. *Oregon*: Mrs. Dorothy R. Anderson, The United States National Bank, Portland, and J. C. Fitzgerald, First National Bank of Portland, North Bend. *Washington*: Jack C. Hood, First National Bank, Ferndale, and Henry B. Matthew, First National Bank in Spokane.

CLIFFORD A. PLUMB, Merchants & Mechanics Bank, Flint, Mich. *Michigan*: Clarence A. Davis, Bank of the Commonwealth, Detroit; Harry J. Gruber, State Bank of Escanaba;

## NABAC's Annual Convention

(CONTINUED FROM PAGE 94)

on safe deposit operations and safeguards; "Gimmicks, Techniques, and Forms"; "Audit and Control—Do-It-Yourself," the presentation of a complete audit program, and a program of continuing control.

Large bank delegates will hear discussions on bank forms, night operations in bookkeeping and proof, income and expense budgeting, continuous controls, and salary administration.

The fourth session of the NABAC School for Bank Auditors and Comptrollers is being held at the University of Wisconsin, Madison, July 22-Aug. 3. The graduating class numbers 95 bankers.

Ben H. Wooten, president, First National Bank of Dallas, was scheduled as the commencement speaker.

The 3-year school, which meets for two weeks each summer, has a total enrollment this year of 305 bankers. The director is Clarence H. Lichtfeldt, vice-president and comptroller, First Wisconsin National Bank, Milwaukee.

Enrollment in the school, which is sponsored by the National Association of Bank Auditors and Comptrollers, is limited to approximately 300 to afford the students maximum opportunity for participation in classroom discussions.

## 37 New ABA Member Banks

(CONTINUED FROM PAGE 95)

Branch; Suburban Station Office, Pennsylvania Railroad; 21 St. & Bainbridge St. Branch; and Wadsworth Ave. & Pickering St. Branch, all in Philadelphia; Peoples First National Bank & Trust Company, Gateway Office, Pittsburgh; and National bank of Pottstown, Stowe.

TEXAS: Montrose National Bank of Houston, Houston\*, and First National Bank, Stafford\*.

WASHINGTON: Washington Mutual Savings Bank, Bellevue Branch\*.

PHILIPPINES: Equitable Banking Corporation, Manila.

\*Recently organized.

and L. J. Wetherbee, First National Bank and Trust Company, Kalamazoo. *Ohio*: Leo J. Brewster, Third National Bank & Trust Company, Dayton; Fred W. Brush, Central National Bank of Cleveland; and Sterling R. Walters, The Firestone Bank, Akron.

# News for Instalment Credit Men

Items and Comment from Our Instalment Credit Commission and Other Sources

## Where Consumers Stand

THE Federal Reserve's 1956 Survey of Consumer Finances (conducted in cooperation with the Survey Research Center of the University of Michigan) takes up the financial position of consumers in the June *Federal Reserve Bulletin*. We quote:

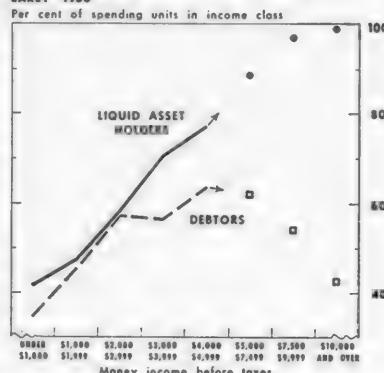
The financial position of consumers was affected during 1955 by the large increase in short-term and mortgage indebtedness. According to Federal Reserve estimates based on lender reports, short- and intermediate-term consumer debt increased about \$6-billion. Mortgage debt on 1- to 4-family nonfarm houses increased about \$13-billion. Survey of Consumer Finances data do not show any marked changes in the distribution of indebtedness among spending units.

Early in 1956 nearly two-thirds of all spending units had some mortgage or short- or intermediate-term consumer debt other than charge account indebtedness, which is not covered by the survey. About one-sixth of all spending units had both mortgage and short-term indebtedness. Nearly two-fifths had consumer debt only, and almost one-tenth mortgage debt only. As shown on the chart, short-term consumer debt was most frequent among spending units with incomes between \$4,000 and \$7,500. Mortgage debt was somewhat more frequent in income brackets above \$7,500 than in lower income brackets.

### Short-term Debt

For the most part, spending units with short-term consumer debt are not large liquid asset holders. At each income level, spending units holding a large amount of liquid assets are much less frequently indebted than those without liquid assets or those holding only a small amount. About two-thirds of all spending units with personal debt hold some liquid assets other than currency, however, and nearly one-third have liquid assets exceeding their indebtedness. Spending units may assume indebtedness rather

LIQUID ASSET HOLDERS AND DEBTORS  
EARLY 1956



Note—Debt includes only short- and intermediate-term consumer debt other than charge accounts; mortgage debt is excluded. (Federal Reserve Bulletin)

than draw down liquid asset holdings because they wish to maintain their savings or their current balances and to pay for durable goods as they use them.

### Makes "Automatic" Loans

THE San Diego (Calif.) Trust and Savings Bank has announced a borrowing plan which it terms "Automatic Loan Privilege."

A customer can borrow money within 10-minutes, or entirely by mail, by using his savings account as collateral, the bank explains. Discussion of personal situations and of the purpose of the loan, necessary with other methods of lending, has been eliminated under this plan.

As stated by the bank, "the new plan was developed after a survey which revealed that many savings account holders frequently borrow for short-term purposes, instead of withdrawing savings. It is difficult to replace savings once exhausted, and when funds are withdrawn before the interest-paying dates, the accrued interest is lost.

"Because a savings account may be considered the perfect form of collateral, credit verification and personal consultation are unnecessary, considerable internal paperwork is eliminated, and the loans can be made immediately and at less cost.

"A simple automatic loan application form which can be filled out at

the counters and presented with the savings passbook, provides the only information necessary, and reduces the bank's set up time."

### Neifeld Has New Book

DR. NEIFELD has a new book, *Trends in Consumer Finance*.

The author is, of course, M. R. Neifeld, Adjunct Professor of Business Administration, Rutgers University, and author of many books including *Neifeld's Guide to Instalment Computations*.

Many topics are covered in the new book, among them: small-loan laws, industrial-loan ceiling, illegal lenders, small loans and total consumer credit, year-by-year and state-by-state small loan rates, volume, collections, outstandings, average loans, bad-debt losses, recoveries, break-even loan and break-even balance, loans by size, future of small loans, and many more.

The publisher is Mack Publishing Company, Easton, Pa.; the price, \$7.

### Banker Against Rigid Repayment Policies

KENNETH R. WELLS, vice-president of American National Bank and Trust Company of Chicago, in the June edition of his *Instalment Credit Notes*, raises an interesting question—and suggests an interesting possibility. He writes:

When a banker makes a personal loan for 12 months, he expects that the borrower will pay the instalments promptly. If the borrower takes 14 months to pay, we may classify him as a chronic delinquent and possibly consider him an undesirable risk for future transactions. Paradoxically, if a licensed lender loans money to a man for 12 months and he pays it back in 16 months, he is considered an excellent customer and informed that he is eligible to borrow again. Are we right or are they right?

The public seems to be willing to pay rates charged by the licensed lenders. In nearly every case these

rates are much greater than rates charged by commercial banks for the same type of loan. Could it be that the reason the public is willing to pay these high rates is that we as bankers have taken the position that people must meet our terms rather than for us to adjust our terms to people? . . .

Banks should give thought to development of methods whereby we could be reimbursed for delinquent accounts or else our charges raised sufficiently high so that a customer can skip a payment now and then without incurring the wrath of our

collection department. True, when a man is sick or out of work we are willing to extend his payment, but most of us do it grudgingly and only after every effort has been made to get his account "up-to-date," which actually means he has to make two payments or more in one month.

One possible solution to this problem might be that we would schedule only 10 payments on a 12-month loan, and the coupon book would contain 10 coupons calling for payment and 2 coupons which the customer could send in when his cash was low. If the customer made the

payment in 10 months and did not use his "free ride" coupons, some reward could be given him in the form of a rebate or credit toward the cost of future borrowing.

This idea is not necessarily the answer, but we must admit there is a certain percentage of the public which prefers to do business with other lending institutions even though they are charged much more for their loans. Banks should design a plan which will appeal to those people and reduce their cost of borrowing.

(CONTINUED ON PAGE 106)

## News On Savings

Items and Comment from Our Savings and Mortgage Division and Other Sources

### "Double Dollar" Savings

LIFE insurance protection as an incentive to saving is the latest bank service now being offered to the public by Peoples Trust Company of Bergen County, Hackensack, N.J. A new type of savings account, known as a "Double Dollar" savings account, was announced by President C. J. Bertheau.

Under the Peoples "Double Dollar Savings Plan," Peoples Trust Company provides life insurance equal in amount to the sum saved—at no cost to the depositor. For example, if the "Double Dollar" savings depositor has \$500 on deposit with the bank, Peoples Trust Company will, in case of death, credit the depositor's account with an additional \$500.

This insurance protection is provided by the bank, dollar for dollar, up to a maximum of \$1,000. The bank pays all insurance premiums.

Anyone under the age of 55 and in good health may open a "Double Dollar" savings account. No medical examination is required, but the depositor must sign a statement giving his date of birth and declaring that he is now in good health and has never been refused insurance for health reasons. Payment of insurance, in case of death, is based on the terminal balance in the "Double Dollar" savings account. Meanwhile, the bank will continue to pay regular interest on the depositor's savings.

The plan is exclusive with Peoples Trust Company for the New Jersey counties of Bergen, Passaic, and Essex. Similar plans were discussed in considerable detail on page 103 of July BANKING.

### Savings Life Insurance Up

SAVINGS bank life insurance in force in Massachusetts now exceeds \$565,000,000—double the amount in force just 10 years ago, according to the Savings Bank Life Insurance Council.

More emphasis will be placed upon newspaper advertising in the future, it was announced by Earl H. Paine, chairman of the Council's advertising committee. A new double savings plan, combining immediate

life insurance protection with a growing savings account, a "Home Protector Plan" to repay the unpaid balance of a mortgage, and a "Family Provider Plan" which provides income to a policyholder's family during years of the greatest need will be featured.

Harold E. Hollingworth, president of the Lowell Institution for Savings, was reelected president of the Council for the coming year.

### Interest Rates Rise

A SURVEY of interest rates on savings accounts in Pennsylvania's commercial banks has recently been completed by the Pennsylvania Bankers Association.

Fulton National Bank of Atlanta invited 2,000 high school seniors to attend an informal party in recognition of their excellent school savings banking work—sponsored by the bank in the Greater Atlanta schools. President W. V. Crowley, right, is shown drawing a winning door prize ticket for a lucky senior. Others, l. to r., Assistant Cashier Lemar Sheats; School Savings Supervisor Blanch Winter; and Vice-president Garnett Carter



The survey, handled by the PBA Bank Operations Division, reveals a marked increase in interest rates paid by the state's banking institutions during the past year.

The rapid increase in the last 12 months contrasts sharply with the very gradual shift toward higher interest rates in the decade since the end of World War II. From June 1955 to June 1956, the number of banks paying 2% interest on savings increased by 100%, according to the survey.

Information for the survey was furnished by 658 member banks representing 84% of the total PBA membership.

The records show that in 1946 less than 10% of the banks in Pennsylvania were paying more than 1% interest on savings accounts. By 1951, five years later, only 10.5% of the banks were paying 1% interest. The new PBA survey shows that today 59.7% are paying from 1½% to 2½%, with the majority at the 2% rate. Only 40.3% of the banks completing the survey are now paying 1% interest or less.

## Long-Term Savings Record

THE steady, and at times spectacular, growth over the years in the people's "nest egg" in long term-savings has brought the total to within sight of the \$250-billion mark, according to *Money-Matters*, published by the Institute of Life Insurance of New York City.

Right now these savings add up to more than \$240-billion, according to preliminary estimates based on data

"Sing a Song of Savings" is the theme used by Mercantile Trust Company, St. Louis, for a colorful, animated display promoting savings accounts. A simulated music stand reproduces the words and music of the savings song. Three gay papier mache pigs dance around a large piggy bank. Savings department staff members, left to right, Rose Mary Jung, C. L. Richardson, and Barbara Lamster



compiled by the Federal Home Loan Bank Board. Over the last four years they have been increasing at an average of close to \$13-billion a year, as against an annual average growth of less than \$7-billion in the previous four years.

The total of accumulated long-term savings of individuals in life insurance, savings accounts, savings and loan associations, current redemption value of U. S. Savings Bonds owned by individuals, and credit unions, has quadrupled over the past decade and a half. The accumulated savings total at the end of 1940 was just under \$60-billion, as compared with the present \$240-billion level.

This rise has matched the growth of the economy in the period, the current \$400-billion gross national product comparing with \$100½-billion in the year 1940.

Over the longer term, the growth in the people's "nest egg" has been

even more impressive. The expansion has been more than 10-fold in the last generation, from the beginning of the Twenties to date. The accumulated long-term savings of individuals added up to only \$23½-billion in 1920. Gross national product in this period has expanded less than four and one-half times, for it amounted to \$91½-billion in 1920.

Thus over the past three and one-half decades, the accumulated long-term savings of the people have shown a rate of growth more than twice that of the country's economic activity. Right now accumulated long-term savings are the equivalent of 60 cents for every dollar of gross national product. The comparable ratio in 1920 was only 26 cents.

Prices and population have, of course, increased in the period also. But thrift has more than kept pace with the trends.

## Named to Thrift Committee

CHARLES R. DIEBOLD, president, Western Savings Bank, Buffalo, N.Y., and immediate past president of the National Association of Mutual Savings Banks, and L. A. Tobie, president, Meriden Savings Bank, Meriden, Conn. were elected to the board of directors of the National Thrift Committee at the recent annual meeting of the Committee. Both men bring a broad knowledge of the importance of practiced thrift to the committee program.

Dr. Herman B. Wells, president, Indiana University, was again elected chairman of the committee; George L. Bliss, vice-chairman; Fred T. Greene, treasurer; and Helen White, secretary.

1956 officers of the G.S.B. Savings Management group elected at the summer session of the School at Rutgers University, New Brunswick, N. J. The group consists of all bankers at the session enrolled in the Savings Management major. Left to right, John Wilkinson, Charlestown Savings Bank, Boston, who was elected vice-president; W. F. Dittrich, Jr., Jamaica (N. Y.) Savings Bank, secretary; R. J. Nash, Binghamton (N.Y.) Savings Bank, president; and C. P. Fleming, Waterbury (Conn.) Savings Bank, treasurer



Highlights of the meeting included a report of progress in which the secretary announced that 56,000 individuals requested thrift materials for their individual use—an increase of 24,000 such requests, over the requests of any other year.

The board of directors of the National Thrift Committee approved the monthly syndication of TV and radio spots on pertinent thrift subjects to radio and TV stations throughout the country and the syndication, bi-monthly, of a column under the Thrift Committee heading

on the theme of wise saving, wise spending. It was further pointed out that these two general approaches can help the thrift efforts of the country both directly and indirectly.

Approved, also was the whole "Save and Be Free Week" campaign, to be sponsored by the committee on October 14-21, 1956, and the new Franklin promotion of National Franklin Thrift Day, on January 17, 1957.

Other bankers serving on the committee include Henry S. King-

man, president, Farmers and Mechanics Savings Bank, Minneapolis; Robert W. Sparks, vice-president, Bowery Savings Bank, New York; Joseph E. Perry, president, Newton (Mass.) Savings Bank; Howard B. Smith, president, Middletown (Conn.) Savings Bank; and John W. Sandstedt, executive secretary, National Association of Mutual Savings Banks.

## Legal List of Investments

THE amount of corporate bonds on the legal list of investments for savings banks in New York State increased by over \$1,900,000,000 in the year ended July 1, 1956, to reach a total of over \$30,000,000,000, the highest on record, according to George A. Mooney, Superintendent of Banks. This total compares with the figure of approximately \$11,100,000,000 shown on the legal list 10 years ago. Approximately 75% of the gross increase in the current year is represented by new issues of companies already listed and the balance by obligations of companies whose names have been newly added to the list.

As required by the New York State Banking Law, the legal list has been compiled and published by the Banking Department each year since 1915. The investment powers of the 129 savings banks of the state are derived for the most part from the statutory provisions which determine the content of this annual publication.

Certain sections of the list are also followed by fiduciaries in the investment of trust funds under the provisions of the Personal Property Law.

## Thrift Ad Wins Citation

DURING one week after a weekly banking newsletter cited a newspaper ad of the Merchandise National Bank in Chicago 100 banks wrote in for reprints. In banner type, the ad led off with the catchline "Why there's no substitute for MONEY IN THE BANK."

In no time at all people in 30 states expressed interest in the ad, resulting in President K. K. DuVall's decision to use the same theme in the bank's announcement of its interest rate increase from 1½% to 2%.

### Specific Purpose Savings Ads

Several newspaper advertisements with eye-pocketbook appeal featuring thrift accounts have been prepared by the State-Planters Bank of Commerce and Trusts, Richmond. Some of the ads used Aesop's fables to drive home a point. Under pen drawings illustrating the fable the moral is pointed up in bold caps. The bank uses a box near the center of the ad to feature regular savings for a variety of everyday purposes.

Recognizing the dilemma of the taxpayer when faced with four tax payment deadlines within 54 weeks (the Virginia Legislature moved the 1956 state income tax payment deadline ahead seven months), the bank felt that an appeal to save for tax purposes, with deposits earning interest, would stimulate special purpose savings. This is a portion of the State-Planters save-for-taxes ad.



# News for Mortgage Credit Men

Items and Comment from Our Savings and Mortgage Division and Other Sources

## New Housing Starts

HOUSING starts for the first five months of 1956 totaled 463,000 and compared favorably with totals for the same periods in 1951-54, but were 17% less than the 5-month figures for 1950 and 1955. Units started under FHA and VA inspection during January through May 1956 dropped 27% below the comparable months in 1955.

Comparison of housing start totals for the first six months of 1955 with the first six months of 1956:

1955	1956
695,400	567,300

The June 1956 privately financed starts numbered 104,000. This represents a seasonally adjusted annual starts rate of 1,070,000.

## Mortgage Policies Book

THE A.B.A. Savings and Mortgage Division is preparing a new edition of its booklet, *Mortgage Loan Policies for a Medium Sized Bank*, which discusses important mortgage problems of the day, and establishes important mortgage loan policies in the light of current business conditions. The booklet will be released early in August and one copy will be available to each member bank upon request.

Following procedures of the past, mortgage policies of a hypothetical bank are reviewed and presented by a panel of mortgage authorities, using actual applications in considering conventional loans, and insured and guaranteed loans, with decisions reached on the varying problems which the applications present.

The booklet contains the deliberations of a "Mortgage Committee in Action," actually presented at the regional A.B.A. Savings and Mortgage Conference in Kansas City, Mo., last January.

Joseph R. Jones, chairman of the Division's Committee on Real Estate Mortgages, was chairman of the panel. Other members included Earl A. Welch, president, Savings and Mortgage Division and presi-

## Savings Growth

(Deposits, life insurance reserves, share accounts at December 31)

	1950	1952	1954	1956
	(Billions)			
Commercial banks	\$35.2	\$40.6	\$46.8	(a)\$48.8
Mutual savings banks	17.7	22.5	26.3	(a)28.7
Life insurance reserves	54.9	62.5	70.9	(b)73.7
Savings and loan associations	13.9	19.1	27.3	(b)32.3

Source: Federal Reserve Bulletin, and A.B.A. Savings and Mortgage Statistics  
(a) At April 25, 1956  
(b) Preliminary for January 1, 1956

## Growth in Mortgage Loans

(Mortgage debt outstanding on nonfarm 1- to 4-family properties)

	1950	1952	1954	1956
	(Billions)			
Conventional	\$26.3	\$33.1	\$43.6	\$50.9
FHA	8.6	10.8	12.8	14.7
VA	10.3	14.6	19.3	25.5
Total	\$45.2	\$58.5	\$75.7	\$91.1

Source: Federal Reserve Bulletin  
(a) Preliminary for March 31, 1956

## Real Estate Foreclosures

(Number of foreclosures on nonfarm real estate for first quarter periods in selected years)

	Jan.	Feb.	March	1st Quarter Total
1935	21,282	18,488	21,154	60,924
1940	6,532	5,761	6,402	18,695
1945	1,018	1,135	1,271	3,424
1950	1,763	1,716	2,044	5,523
1955	2,305	2,189	2,595	7,089
1956	2,288	2,238	2,615	7,141

Source: Operating Analysis Division, Federal Home Loan Bank Board

dent, Meredith Village Savings Bank, Meredith, N. H.; T. P. Axton, president, Lafayette Savings Bank, Lafayette, Ind.; Donald O'Toole, president, Pullman Trust and Savings Bank, Chicago; John M. Pickens, vice-president, Union Planters National Bank, Memphis; and Thomas L. Nims, secretary, A.B.A. Savings and Mortgage Division.

booklet entitled "About Your Home Loan," for distribution to mortgage borrowers. The booklet makes effective use of the pronouns "you" and "your" and is written in conversational style.

It covers these main points: (1) About Your Home Loan; (2) Your Obligation as Mortgagor; (3) Your Monthly Payment; (4) Your Taxes; (5) Your Insurance; (6) Your Pre-payment Privilege; (7) Title to Your Property; (8) If You Sell Your Property; (9) If We Sell Your Loan; and (10) Conclusion.

## Mortgage Fact Booklet

THE Bank of Kennett, Kennett, Mo., has devised a compact little fact

## U.S. Households Increase

THE number of households in the United States increased by nearly 11,000,000 in the last decade, an average of more than a million a year and by far the biggest rise for a 10-year period in the history of the country, according to *Money-Matters*, published by the Institute of Life Insurance.

This extraordinary record is the result of a combination of factors in which the impact of World War II, high economic activity and personal income levels, and the expansion of savings and of retirement funds played major roles. Since the household is the nation's basic economic as well as social unit, the accelerated growth in household formation contributed much to the progress of the American economy over the past decade and is also a key element in future expansion prospects.

### Big Jump

Figures recently made public by the U. S. Bureau of the Census show that there were more than 48,750,000 households in March of this year. The comparable figure early in 1946 was about 38,000,000.

Thus the number of households increased by some 10,750,000 in the period. The record prior to the World War II period was set in the Twenties, when the number of households increased by about 5,500,000, or little more than half the 1946-56 expansion.

## FHA Debenture Streamline

NORMAN P. MASON, FHA Commissioner, advises the A.B.A. of progress made in cutting down the time it takes to get debentures into the hands of mortgagees after the property has been tendered to the Commissioner.

The changes include redesigning of the application form and new arrangements with the Treasury Department to speed the issuance of debentures and cash adjustment checks.

"What we have done," reports the Commissioner, "is to streamline accounting methods, reduce the review to essentials, simplify schedules, and eliminate one processing step that usually took several days."

Mr. Mason expresses the hope that "these changes will be helpful to the industry."

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## VHMCB Banker Members

A PARTIAL list of commercial bankers who are serving as members of the regional committees of the Voluntary Home Mortgage Credit Program was given on page 107 of July BANKING. To this list should be added the following commercial and mutual savings bankers who are serving in this private enterprise effort to eliminate the need for direct mortgage lending by the Government:

### Region I—Boston

Richard A. Booth, Pres.  
Springfield Institution for Savings  
Springfield, Mass.  
*Chairman*

J. Fred French, Pres.  
Amoskeag Savings Bank  
Manchester, N. H.

Barrett C. Nichols, Treas.  
Maine Savings Bank  
Portland, Me.

### Region II—New York City

Norman P. McGrory, V.P.  
Howard Savings Institution  
Newark, N. J.

Fred F. Peters, V.P.  
National Savings Bank  
Albany, N. Y.

### Region III—Philadelphia

Elmer S. Carll, Pres.  
Industrial Trust Company  
Philadelphia, Pa.  
*Chairman*

W. J. Taggart, Jr., V. P.  
Equitable Security Trust Co.  
Wilmington, Del.

George E. Cobun  
The Dollar Savings Bank  
Pittsburgh, Pa.

Donaldson Cresswell, Sr., V.P.  
The Philadelphia Savings Fund  
Society  
Philadelphia, Pa.

### Region IV—Washington, D. C.

Benjamin F. Kenney, Ex. V.P.  
Central Savings Bank  
Baltimore, Md.

### Region V—Charlotte, N. C.

John A. Campbell, Pres.  
South Carolina National Bank  
Columbia, S. C.  
*Vice-chairman*

### Region VII—Nashville, Tenn.

Dewey Daniel, Pres.  
Peoples Bank  
Hazard, Ky.

### Region VIII—Cleveland, Ohio

Paul M. Minter, V.P.  
The National City Bank  
Cleveland, Ohio  
*Chairman*

Harry J. Fitzgerald, Sec.  
Peoples Savings Bank  
Evansville, Ind.

Donald Wiegel, Pres.  
Springfield Savings Society  
Springfield, Ohio

### Region IX—Chicago, Ill.

E. M. Van Lone, Pres.  
Beloit Savings Bank  
Beloit, Wisc.

### Region XIII—Dallas, Tex.

Murray Kyger, Ex. V. P.  
First National Bank  
Fort Worth, Tex.  
*Chairman*

### Region XV—Portland, Ore.

Harry G. Baldwin, V.P.  
Washington Mutual Savings Bank  
Seattle, Wash.  
*Vice-chairman*

### Region XVI—San Francisco, Calif.

D. C. Sutherland, V.P.  
Bank of America N.T. & S.A.  
San Francisco, Calif.  
*Chairman*

(Last month, under Region II, Cowles Andrus was incorrectly listed. He is president, County Bank & Trust Co., Passaic, N. J.)

## FNMA

THE Federal National Mortgage Association reported in July that weekly purchases are proceeding at an increased rate.

For the first week in July, 912 mortgages were purchased, aggregating \$9,874,000, with mortgages averaging \$10,827. The same week FNMA approved another \$12,000,000 for later purchase.

## 1956 Construction Volume

THE Departments of Labor and Commerce now forecast \$44.5 billion of new construction for 1956, an increase of 4% in volume over 1955. It is felt that the future gains in public and private industrial construction and new highway construction will more than offset the residential construction decline.

# News for Trustmen

Items and Comment from Our Trust Division and Other Sources

## Estate, Gift Tax Booklet

THE Irving Trust Company's popular booklet, "Estate and Gift Taxes—Federal, New York, New Jersey, and Connecticut," has been completely revised.

Irving reports that "lawyers have found the center-page spread of particular usefulness, since it shows at a glance what the combined Federal and New York State estate taxes would be, over a wide range of valuations, both with and without the maximum marital deductions."

Copies of the booklet may be obtained from the Personal Trust Department, Irving Trust Company, 1 Wall Street, New York City, or any branch office.

## Collective Investment Fund for Pension and Profit Plans

INAUGURATION of a new collective investment fund for pension and profit-sharing plans was announced recently by the Bank of America.

This fund is the first of its kind to be established on the Pacific Coast, under the recently amended provisions of the Federal Reserve Board regulations, said Harry M. Bardt, vice-president and senior trust officer at the bank's San Francisco head office.

Designated as Bank of America Investment Fund for Retirement Plans, it is especially designed to meet the needs of employers of small or medium-sized groups of employees, but is equally suitable for plans involving large numbers of employees, said Mr. Bardt.

"Collective investment of the funds of participating plans gives each, regardless of size or type, the advantages enjoyed by the country's larger plans," he pointed out. He emphasized that each plan will remain completely independent from all others and retain its own individual identity.

"This tax-exempt fund is divided into two separate parts," he said. "One consists exclusively of fixed-income investments, such as bonds

1956 Trust Committee elected by the Trusts majors at the G.S.B. during the summer session of the School at Rutgers University. Front row, left to right, W. M. Bickel, Philadelphia National Bank, Pottstown, Pa.; W. G. Mathis, Citizens Fidelity Bank & Trust Co., Louisville, Ky. Second row, l. to r., J. M. Lindberg,

The Chase Manhattan Bank, New York City; W. H. Webster, Jr., National Bank of Commerce, San Antonio, Tex.; and D. H. Burnham, Jr., Security Trust & Savings Bank, San Diego, Calif., who is chairman of the committee

and preferred stocks, and the other entirely of common stocks.

"This is to enable individual plans to utilize either or both parts of the fund, to whatever extent and in such proportions as will most nearly achieve their intended objectives."

Only those plans in which Bank of America acts as trustee may become participants in the bank's new investment fund. However, these include previously established as well as newly created pension, profit-sharing, thrift, and other employee benefit plans of all types, size or character, Mr. Bardt said.

## PBA's Trust Chairmen

THE membership of the nine Trust Division committees of the Pennsylvania Bankers Association for the ensuing year has been announced by H. Townsend Bongardt, Division chairman, who is vice-president, Tradesmens Bank & Trust Co., Philadelphia.

The committees named by Mr. Bongardt are as follows:

*Cooperation with the Bar Committee:* H. Woodward McDowell, vice-president and trust officer, Central-Penn National Bank of Philadelphia, chairman.

*Costs and Charges Committee:* John W. Woerner, vice-president, Girard Trust Corn Exchange Bank, Philadelphia, chairman.

*Law of Decedents' Estates and*



*Trusts Committee:* William L. Mutart, assistant vice-president, Provident Trust Company of Philadelphia, chairman.

*Smaller Trust Departments Committee:* Joseph E. Fox, assistant vice-president and trust officer, The Altoona Trust Company, chairman.

*Taxation Committee:* W. E. Magee, trust officer, Mellon National Bank & Trust Co., Pittsburgh, chairman.

*Trust Department Operations Committee:* John A. Cost, assistant vice-president, Fidelity-Philadelphia Trust Co., chairman.

*Trust Development Committee:* William J. Copeland, vice-president and trust officer, Peoples First National Bank & Trust Co., Pittsburgh, chairman.

*Trust Education Committee:* William E. Abel, vice-president and trust officer, Barclay-Westmoreland Trust Co., Greensburg, chairman.

*Trust Investments Committee:* D. R. Atherton, Jr., vice-president, Third National Bank & Trust Co., Scranton, chairman.

The newly organized Trust Education Committee will be responsible for developing the curriculum and arranging for a Trust Department Training School at Pennsylvania State University, June 23-28, 1957.

Mr. Bongardt also announced the appointment of three members of the Tri-State Trust Conference (Penns., New Jersey, New York.)

# Not FULLY Protected



— not so long as his Dad leaves his *future security* to chance, for lack of a legally acceptable Will. In your family's best interests, take these two steps soon: Have your lawyer draw your Will; ask us to outline our qualifications for serving as Executor of your Will.

Effective trust department advertisements, such as the two ads appearing above, are prepared each month by the Advertising Department of the American Bankers Association. During the year, the Department, under its monthly "Proofs-in-Advance" subscription plan, issues 240 advertisements on various subjects. Many of them promote trust services. In addition, the Department periodically prepares entire series of ads promoting trust services.

## Instalment Credit News

(CONTINUED FROM PAGE 98)

### Things Look Pretty Good

C LARK, DODGE, & Co., New York investment firm, has released a study which says that the credit excesses of last summer in the automobile field were corrected by the industry itself without Government intervention; that the consumer debt of 63¢ against each dollar of savings is below that of 1940; and that, most important, there is consumer ability to pay off debt. The study says—

The very substantial increase in consumer instalment credit last year, up \$5.4-billion or about 24%, has resulted in considerable discussion as to the soundness of the current credit situation. Some critics have even advocated Government controls as a means of stabilizing or regulating production of consumer durable goods with the hope that this would help to level out the business cycle.

Most of the increase, or \$3.9-billion, represented loans extended for the purchase of automobiles. The 1955 models, to use the vernacular, were "hot" and met the greatest

acceptance ever by the buying public. Had such credit controls been in effect in 1955 and had they reduced auto sales, it is questionable whether the lost sales would have showed up in 1956. Finally, the problem of policing such an operation where there are several hundreds of thousands of lenders and millions of borrowers would be extremely difficult.

It is true that credit terms were carried to excess last summer, but corrective measures were taken by the industry itself without Government intervention.

Most fears about the level of consumer credit are based on the stock market experience of 1929. The basic difference between credit for speculation and credit for consumer durables which for the most part are necessities today, seems to be ignored by the "controllers."

Statistics show credit at the high-

The best thing a pedestrian can do is get a suit of armor, insure his life, and then stay home.

*What the world seems to want from us is handouts across the sea.*

TRUST service relieves Dad of many of the details of security ownership.



TRUST service spares Mother the burden of an unfamiliar responsibility.

TRUST service helps assure for Junior the advantages his parents want for him.

We'll gladly tell you more about the three helpful trust services described above; and/or about others we offer which are suited to your family situation.

COME IN SOON!

est level ever in terms of dollars and in relation to consumer income. Against this, debt of 63¢ per dollar of savings is below that of 1940. More important than levels and ratios, however, is consumer ability to pay.

The vast changes in our economic structure and in income distribution testify to the ability to pay, and we would agree with the conclusion that consumer debt is not dangerously high.

All too often forgotten is the fact that in our economy today, mass production and mass distribution, the basis for our high standard of living, rests on the concept of mass credit.

### Lending for Beauty

THE First National Bank and Trust Company, Tulsa, Okla., says its city is getting "prettier" all the time. The statement is based on a report of the instalment loan department showing that the bank has had a record season on home improvement loans. In terms of dollars, First of Tulsa has about 50% more loan business this year than for the same period of 1955, with an increase of about 20% in the number of loans made.

## CALENDAR—1956

### American Bankers Association

Aug. 23-24 30th Western Regional Trust Conference, Hotel Utah, Salt Lake City  
 Oct. 21-24 82nd Annual Convention, Los Angeles  
 Nov. 15-16 25th Mid-Continent Trust Conference, Drake Hotel, Chicago  
 Dec. 10-11 Agricultural Credit Conf., Statler Hotel, St. Louis, Mo.

1957

Mar. 11-13 Annual Savings and Mortgage Conference; National School Savings Forum, Hotel Roosevelt, New York City

### State Associations

Aug. 19-24 PBA Summer School, Penna. State Univ., University, Pa.  
 Sept. 9-14 Tennessee Bankers Conf. Univ. of Tenn., Knoxville  
 Sept. 10-13 Vermont-N. H. School of Banking, Univ. of Vt., Burlington  
 Sept. 20-22 Savings Banks Association of Maine, Wentworth - by - the - Sea, Portsmouth, N. H.  
 Sept. 20-22 Savings Banks Association of Massachusetts, Mount Washington Hotel, Bretton Woods, N. H.  
 Sept. 21-22 Savings Banks Association of New Hampshire, Fall Meeting, Sunset Hill House, Sugar Hill, N. H.  
 Oct. 5-6 Connecticut Mutual Savings, Wentworth-by-the-Sea, Portsmouth, N. H.  
 Oct. 11-12 Nebraska, Fontenelle Hotel, Omaha  
 Oct. 12-13 New Hampshire, Fall Meeting, Mountain View House, Whitefield  
 Oct. 28-31 Iowa, Fort Des Moines, Des Moines  
 Nov. 6-8 Savings Banks Association of New York The Greenbrier Hotel, White Sulphur Springs, W. Va.  
 Nov. 8-10 Arizona, Arizona Biltmore Hotel, Phoenix  
 Nov. 11-13 Kentucky, Phoenix Hotel, Lexington

1957

Mar. 28-30 Florida, Hollywood Beach Hotel, Hollywood  
 Apr. 23-25 Ohio, Sheraton Gibson Hotel, Cincinnati  
 May 4-10 Georgia, Cruise to Bermuda, S. S. Queen of Bermuda, via New York  
 May 5-7 Louisiana, Buena Vista Hotel, Biloxi, Miss.  
 May 7-8 Tennessee, Hermitage Hotel, Nashville  
 May 8-11 Pennsylvania, Chalfonte-Haddon Hall, Atlantic City  
 May 9 Delaware, DuPont Hotel, Wilmington  
 May 9-10 Oklahoma, Mayo Hotel, Tulsa  
 May 10-11 North Carolina, The Carolina Hotel, Pinehurst  
 May 10-11 North Dakota, Ray Hotel, Dickinson  
 May 12-14 Missouri, Muehlebach Hotel, Kansas City  
 May 12-14 Texas, Galvez Hotel, Galveston  
 May 15-16 Indiana, French Lick Springs Hotel, French Lick  
 May 16-18 Kansas, Wichita  
 May 16-18 South Carolina, Francis Marion Hotel, Charleston  
 May 19-21 California, Ambassador Hotel, Los Angeles

May	20-22	Arkansas, Arlington Hotel, Hot Springs
May	20-22	Illinois, Sheraton-Jefferson Hotel, St. Louis
May	20-22	Mississippi, Buena Vista Hotel, Biloxi
May	22-25	New Jersey, Chalfonte-Haddon Hall, Atlantic City
May	23-24	Alabama, Mobile
May	24-25	New Mexico, LaFonda Hotel, Santa Fe
May	25-	Maryland, Cruise to Nassau and Havana, S.S. Queen of Bermuda
June 1		June 1 Connecticut, Equinox House, Manchester, Vt.
June	7-8	Idaho, The Lodge, Sun Valley
June	9-12	Dist. of Col., The Greenbrier, White Sulphur Springs, Va.
June	12-16	Montana, Canyon Hotel, Yellowstone National Park
June	13-15	Virginia, The Homestead, Hot Springs
June	14-15	*New Hampshire, Wentworth-by-the-Sea, Portsmouth
June	14-15	*New Hampshire Mutual Savings, Wentworth-by-the-Sea, Portsmouth
June	14-15	Vermont, Equinox House, Manchester
June	16-18	Washington, Chinook Hotel, Yakima
June	17-19	Wisconsin, Schroeder Hotel, Milwaukee
June	19-21	New York, Lake Placid Club, Lake Placid
June	20-22	Michigan, Sheraton-Cadillac Hotel, Detroit
June	21-22	New Jersey Mutual Savings, Monmouth Hotel, Spring Lake
June	21-23	Maine, Poland Spring House, Poland
June	23-25	Oregon, Multnomah Hotel, Portland
Oct.	11-12	New Hampshire, (Fall Meeting) Mountain View House, Whitefield
Oct.	13-15	Connecticut Mutual Savings, Mountain View House, Whitefield, N. H.
Oct.	20-23	Iowa, Fort Des Moines Hotel, Des Moines
Nov.	13-14	New York Mutual Savings, Fontainebleau Hotel, Miami Beach

\*Joint meeting

### Other Organizations

Aug.	5-17	School of Consumer Banking, Univ. of Va., Charlottesville
Aug.	19-	School of Banking, Univ. of Wisconsin,
Sept. 1		Madison
Aug.	20-31	Pacific Coast Banking School, University of Washington, Seattle
Sept.	17-20	National Association of Bank Auditors and Comptrollers, The Shoreham Hotel, Washington, D. C.
Sept.	17-21	National Association of Bank Women, 34th Annual Convention, Hotel Radisson, Minneapolis
Sept.	20-22	Golden Anniversary Convention, New York State Safe Deposit Assn., Waldorf-Astoria, N. Y. C.
Sept.	27-29	Western Secretaries Conf., Benjamin Franklin Hotel, Seattle, Wash.
Oct.	7-11	Financial Public Relations Association, Dallas, Texas
Oct.	14-17	Robert Morris Associates, Annual Fall Conference, Fairmont Hotel, San Francisco
Dec.	2-4	Southern Secretaries Conf., Cloister Hotel, Sea Island, Ga.
1957		
Oct.	6-9	Robert Morris Associates, Shoreham Hotel, Washington, D. C.

# GOVERNMENT BONDS

*Refinancing . . . Then and now . . . Market for Government issues  
. . . Bank loans rise . . . Budget surplus and debt retirement . . .  
Chairman Martin on the Fed's credit control powers*

MURRAY OLYPHANT

## New Financing

In a move to clear the deck for August cash financing, the Treasury in mid-July offered \$12,938,000,000 of 2½% notes in exchange for \$12,388,000,000 of 2% notes maturing Aug. 1 and \$550,000,000 of 1½% maturing Oct. 1. It was the first financing of the 1957 fiscal year.

The new securities are dated July 16, 1957. The Federal Reserve System owned \$7,950,000,000 of the maturing issues; commercial banks had about \$1-billion of the 2s and other investors (mostly corporations) about \$4-billion.

The Treasury explained that it had decided to offer a 12½ month note instead of a longer term because of money market conditions.

## Then and Now

Today Government securities are held in bank portfolios for almost entirely different purposes than they were 10 years ago. Then they were substantial income producers and hoped for profit. Maturities of from 5 to 10 years were held in large quantity and holdings of over 10 years' maturity were fairly high.

Today Government securities are held almost entirely as secondary reserves. Maturities are nearly all well within the 5-year range. What longer bonds remain, are kept because sales would involve substantial loss. The profit motive has largely evaporated.

All this has come about because of the tremendous increase in the amount of loans. Look at these comparisions in the nearby table:

All Banks	Total Loans and Investments	Loans (In millions)	Governments	Other Securities
12/15/45	\$124,019	\$26,083	\$90,606	\$7,831
% of Total		21%	73%	6%
4/25/56	\$160,040	\$85,340	\$58,060	\$16,640
% of Total		53%	36%	10%

The rise in the total of other securities has consisted largely of tax-free issues because of their obvious tax benefits. Even here it is understood that maturities have been held for the most part within a 5- or 6-year range.

Current conditions seem likely to continue for some time. What Government securities are bought by banks—when they have any funds to buy them—are pretty sure to be used to enlarge the presently somewhat low amounts of secondary reserves.

The change in the make-up of the earning assets has proved profitable, as witness bank earnings reports for the past six months. What is anybody kicking about?

## No Money Squeeze

As forecast by the action of the Open Market Committee in buying Treasury bills from the market late in May, the expected money squeeze

## More Inflation?

*Whatever the date the steel strike ends, it is a certainty that the result will be an increase in the inflationary pressures on the economy with consequent effect on the policies of the monetary authorities.*

in June did not materialize. The Committee was believed ready to act if necessary but for most of the month such action was not required. At the end of the month, however, it did step in.

## Open Market Committee Buys Bills

At the end of June and over July 4 holiday, the Committee, anticipating a sharp increase in circulation and a decline in the float, bought bills heavily—more than in any week for over a year and a half. This raised the bill holdings of the Federal portfolio to nearly \$1-billion as contrasted with about \$300,000,000 early in May.

## Float Remains High

But the expected decline in the float failed to occur. By June 20 the figure had risen to over \$1½-billion and was almost \$1¼-billion on July 4. Apparently a tremendous increase in the volume of check clearance transactions was delaying prompt collections. The combination of the bill purchases by the Committee and the high level of the float produced an easier feel in the money market.

## Cost of Treasury Bills Lower

When a June credit squeeze was expected it was freely predicted that

the cost of Treasury bills might rise close to the 2 3/4% rediscount rate but the actual record for June was as follows:

Sales on	Average Cost	Taken by Dealers (Millions)	Subsequent Market
June 7	2.58%	\$378	2.53% - 2.51%
June 14	2.43%	\$296	2.39% - 2.35%
June 21	2.53%	\$343	2.44% - 2.40%
June 28	2.41%	\$416	2.38% - 2.36%

Not only were the sales made well below the rediscount rate but in every week there was sufficient further demand to raise the price and to permit the dealers to distribute their purchases at a profit.

Member banks of the Federal Reserve System were able to keep their borrowings from the discount window at moderate levels. Negative reserves declined from \$389,000,000 for the week ending May 30 to only \$170,000,000 on July 4.

The prices for the Government issues, after being strong in the last

week in May, continued upward until June 15. Then they dropped until the end of the month and showed almost no change in the first week of July.

Net changes for the month showed gains in the prices of maturities up to about five years. For the most part the longer issues registered declines.

Apparently tax swapping continued to account for a good part of the meager volume of transactions with evidence that a few years' lengthening of maturity was the result of most of the trades.

Demand for the longer bonds was nonexistent. Fortunately offerings were in such small volume that price changes were not substantial.

At times rumors of a changed Federal Reserve policy in the direction of easier money led to some optimism as to the course of prices. This was wishful thinking since there was

no change in the economic conditions which have determined the present policy.

#### Bank Loans Continue to Rise

Since the credit supply policies of the Federal Reserve Board are based on an attempt to maintain a balance between the demand for and the supply of credit and to hold down undue demand by increasing the cost of supply, the continued rise in bank loans during June gave no sound reason for expecting any lowering of the rediscount rate.

Business and agricultural loans of the reporting member banks rose over \$1-billion. Real estate and consumer loans accounted for a further increase of \$162,000,000.

In New York, business loans dropped about \$500,000,000 from March 21 to May 30, but have since risen about \$700,000,000. In the

(CONTINUED ON PAGE 126)

## INVESTMENT MARKETS

H. EUGENE DICKHUTH

DEMAND for new securities has been satisfactory as a whole. Some federally secured issues loomed large in recent weeks and the summer slump is now in progress. Moreover, the steel strike and related factors were expected to make for a little easier money.

That means a reduced demand for loans from banks—thus, higher bond prices, but somewhat lower yields. With proper management, this should bother only very few institutions in the commercial banking field. A lower loan volume may easily be offset by higher bond prices and there is always profit-taking and the tax angle to be considered in terms of the individual organizations.

The market for state and thruway authority bonds of the future will undoubtedly be affected by the Federal highway program of some \$33-billion which has just been passed by Congress and signed by the President. It provides for 4-lane transcontinental highways and criss-cross roads of the same dimension.

This will obviate much of state planning and financing. Washington raised the Federal gasoline tax, effective July 1, to provide the major portion of the funds necessary to get started. Eventually, the program should alleviate some of the current traffic congestion, provide strategic movement of goods and services throughout the country. In peak periods, it is estimated, construction will mean employment for some 630,000 people.

The market for corporate securities has also been satisfactory, generally speaking. This was reflected in stock exchange quotations. No spectacular progress has been made in this area, pricewise, but the trend is still upward.

Easier money in the immediate future, in addition to fractionally higher bond prices, would also indicate that there is not likely to be any spectacular rise in stocks.

June records of the New York Stock Exchange may or may not have indicated just that.

Trading that month amounted to 37,201,113 shares, the lowest monthly turnover since the 33,294,760 shares of February 1954, and the smallest June volume since the 26,075,090 shares in 1953. Prices were up for the month, except for one single rail category.

Foreign government and United States housing groups helped to lift the total of new bonds offered in June to about \$1.244-billion. This compares with \$967.8-million in June and with \$1.295-billion in May.

Equity financing in June was the biggest since June 1952. The total offered was about \$86,000,000, according to preliminary figures, against \$68,894,000 in May, and \$55,146,000 in June 1955.

As in previous years, bond flotations in the first six months were higher than previously. They aggregated \$6,473-billion in the first half, compared with \$5,509-billion in the like 1955 period, and with \$5,616-billion in 1954. State and municipal issues this year constituted \$3,195-billion, nearly one-half of the total. The next largest category were \$765,000,000 of utilities, followed by \$658,000,000 of industrials and \$445,000,000 of Home Loan banks.

Flotations of new stock of about \$488,000,000 in the first six months of 1956 were the largest since 1952. It compares with \$414,000,000 in 1955 and with \$652,000,000 in 1952.

The two major component parts this year were \$267,657,000 under the general heading of industrials and \$204,000,000 under the utilities heading. There has been a steady increase in equity financing, as against debt financing, which is applauded in financial quarters, even though the gain is small.

# She likes her job and he likes her work

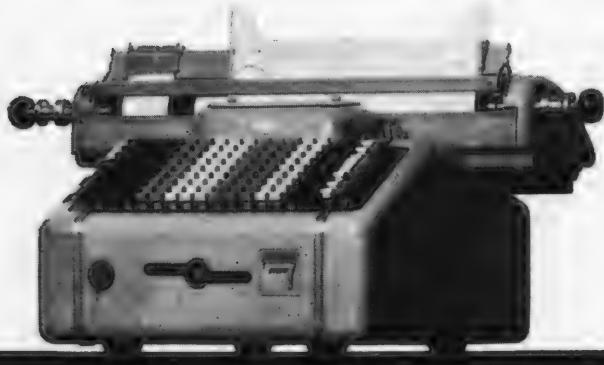


## Burroughs Sensimatic is the fastest, easiest-to-operate bank bookkeeping machine of all

Just about everybody in the bank likes the Burroughs Sensimatic! Operators like it because they can learn to master it so easily, and because it does not tire them with unnecessary motions or details to remember. Bank officers like it because it's fast, accurate and versatile—can switch from job to job at the turn of a knob—and because it offers these distinctive advantages, too: *automatic check count, automatic register totaling, date lock, list-posting tape and activity counter.*

Bank customers like it because their statements are clear, accurate, easy to read, and complete with count of checks.

So whatever you want in a bank bookkeeping machine—whether your bank is big or small—the new Burroughs Sensimatic has more to offer you!



**FREE "best seller" among banks  
tells all about the Burroughs Sensimatic  
for Commercial Account Posting**



There is too much to tell about the Burroughs Sensimatic Bank Bookkeeping Machine in this limited space. But complete information can be yours for the asking if you'll send for the free booklet illustrated. Call our nearest branch, or write Burroughs Corporation, Detroit 32, Mich.

# or BOTH like the BURROUGHS SENSIMATIC bank bookkeeping machine



and no wonder—just look at all these features!



**Faster form handling**—A smooth, one-hand operation inserts and positions form in carriage. Carriage moves automatically through the posting operation, then opens automatically. New amounts can be indexed while the machine is computing.



**Faster indexing**—The entire keyboard is designed for faster, more positive indexing—with scientifically improved slope and height, finger-tip key fit, and swift, uniform key depression.



**Faster motor bar selection**—The Sensimatic's exclusive construction assigns a single major function to each motor bar. Operator decisions are reduced and posting is simplified, increasing speed.

WHEREVER THERE'S BANKING THERE'S

## Burroughs



"Burroughs" and "Sensimatic" are trademarks

## Program Planning

(CONTINUED FROM PAGE 54)

grateful for the generous personal endorsements given this part of the program by A.B.A. President Fred F. Florence. Mr. Florence, who is president of the Republic National Bank of Dallas, Texas, recently stated in a letter to this writer:

### "Excellent Study"

"It was with much pleasure that I looked over the excellent study 'Program Planning for State Bankers Associations' and want to

commend you and your associates on its preparation and development. I have studied the guide with a great deal of interest, and agree that the various state programs which have already achieved a high degree of excellence can benefit even further from the constructive suggestions that your group has worked out as set forth in the study.

"I sincerely hope and believe that the officers of the state associations will give this study full and careful consideration, and that it will result in a great deal of benefit to the membership and banking generally."

### Adds Effectiveness

In addition, Everett D. Reese, former A.B.A. president, and chairman of The Park National Bank, Newark, Ohio, states:

"I think you are laying the base for an excellent program that can add a great deal to the effectiveness of the work of the state associations. This is another area in which the American Bankers Association and the state associations can work together to help make a more constructive and useful banking system."

### A Study and Guide

Another letter from Dr. Harold Stonier, Dean of The Graduate School of Banking, conducted by the American Bankers Association at Rutgers University:

"During my years of association with state organizations in the banking field I have been tremendously impressed with the increasing scope of their influence in carrying out constructive educational programs for the banking business. This study will be a valuable addition to the literature pertaining to state association activities. It will be a guide to new officers of state associations and it will also serve as a check to men who have been in this work for a number of years, enabling them to evaluate the work of their own associations and determine what further activities ought to be undertaken."

## The FIFTH THIRD UNION TRUST CO.

CINCINNATI, OHIO

Statement as of June 30, 1956

### RESOURCES

Cash and Due from Banks.....	\$ 88,218,362.19
United States Bonds.....	87,001,503.97
State and Municipal Bonds.....	14,224,029.99
Other Bonds and Securities.....	4,660,656.89
Loans and Discounts.....	154,983,026.37
Banking Premises Occupied.....	4,375,162.18
Income Accrued Receivable and Prepaid Expense.....	1,215,120.71
Other Resources .....	416,408.73
<b>TOTAL.....</b>	<b>\$355,094,271.03</b>

### LIABILITIES

Capital Stock (\$25.00 Par Value).....	\$ 11,875,000.00
Surplus .....	11,875,000.00
Undivided Profits .....	3,941,538.51
<b>TOTAL CAPITAL FUNDS.....</b>	<b>\$ 27,691,538.51</b>
Reserve for Dividends, Interest, Taxes, etc.....	3,888,893.80
<b>DEPOSITS:</b>	
*Commercial, Bank and Savings.....	309,132,290.00
U. S. Government.....	14,304,917.61
Other Liabilities .....	76,631.11
<b>TOTAL.....</b>	<b>\$355,094,271.03</b>

\*Includes \$5,337,623.46 of Trust Money on deposit in the Banking Department, which under the provisions of the Banking Law of the State of Ohio, Section 1107.12, is a Preferred Claim against the Assets of the Bank.

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MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION — MEMBER FEDERAL RESERVE SYSTEM

"We don't have the money! . . . Harry, you put up the flimsiest arguments!"



AC GUTHRIE

BANKING

## "Live Better"

(CONTINUED FROM PAGE 47)

Some banks have gone even a little farther. They compiled and rented a list of credit-worthy customers to merchants or trade and service organizations. These names were never seen by the renter. The bank did all the addressing, envelope stuffing and mailing—for a nominal service charge. The reported results have been excellent. A previous survey revealed that the people on the lists wanted to be kept advised by direct mail of the buying opportunities offered from time to time by local merchants.

### Other Opportunities

Similarly, kitchen planners and dealers can be supported by helping them promote the idea of better electrical living and the desirability of improving their homes. An electrical contractor, for instance, would be more than happy if the bank would help him with a mailing to homeowners who have 10- or 15-year-old mortgages. These are perfect prospects for him for rewiring jobs. The direct mail and other promotional material telling the idea of better living which is possible through improved electrical capacity can be obtained from the local electric utility. The contractor gets his job, the utility sells more electricity, and the bank makes an additional loan to someone who is known by experience and past performance to be a good credit risk.

The program will be given another big push, starting this October. Newspapers have been provided with suitable editorial and advertising material to build special supplements. The effectiveness of these advertisements in these supplements will be greatly increased, because the editorial contents will be such that readers will want to keep the pages for reference. Department stores and appliance dealers are planning special promotions.

### Checked

WHEN waiting in the corner bank,  
The line I choose to stand in  
Will have a dozen customers  
With stacks of checks to hand in.  
But should I leave to join a line  
That's moving fast ahead,  
The very minute I get in it,  
What happens? It stops dead.

## "... lost without it"

That's how at least one banker feels about the Merrill Lynch Security and Industry Survey—our quarterly review that covers every major industry in the country, classifies 450 securities according to their investment quality, gives prices, earnings, and dividends at a glance.

Here is a publication which we think you'll find provides the answers to most of the questions your clients might ask about investing.

If it doesn't, of course, you can still call on our Research Department for all the available facts on any company . . . a thorough review of any particular portfolio . . . a sensible investment program for any particular sum, any reasonable objective.

There's no charge, of course. No obligation of any kind. Simply write, in confidence, to—

R. J. CHVAL, Partner  
INSTITUTIONAL DEPARTMENT AA-62

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you can count on

*prompt*  
*efficient*  
*courteous*

*SERVICE*

from your local Travelers agent or broker. He represents the company that can handle all your insurance needs.

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All forms of personal and business insurance including  
Life • Accident • Group • Fire • Automobile • Casualty • Bonds



# CENTRAL NATIONAL BANK

*of Cleveland*

123 WEST PROSPECT AVENUE

## Condensed Statement of Condition

June 30, 1956

### ASSETS

Cash in Vault and Due from Banks . . . . .	\$121,907,399.08
U. S. Government Obligations . . . . .	164,502,158.54
Other Bonds and Securities, Including Stock of the Federal Reserve Bank . . . . .	14,013,419.11
Loans Guaranteed or Insured by Federal Agencies . . . . .	37,611,719.41
Other Loans and Discounts . . . . .	198,032,155.53
Customers' Liability under Acceptances and Letters of Credit Outstanding . . . . .	643,974.73
Banking Premises . . . . .	2,778,133.74
Accrued Interest and Other Assets . . . . .	2,447,034.83
TOTAL ASSETS . . . . .	\$541,935,994.97

### LIABILITIES

Deposits:	
Demand . . . . .	\$350,495,204.12
Time . . . . .	148,232,549.09
Acceptances and Letters of Credit Outstanding . . . . .	\$498,727,753.21
Accrued Expenses, Taxes, etc. . . . .	643,974.73
Valuation Reserve for Loans and Securities . . . . .	4,374,265.51
Capital Stock (875,000 shares, par value \$16) . . . . .	6,257,216.10
Surplus . . . . .	14,000,000.00
Undivided Profits . . . . .	3,932,785.42
TOTAL CAPITAL ACCOUNTS . . . . .	31,932,785.42
TOTAL LIABILITIES . . . . .	\$541,935,994.97

United States Government obligations and other assets carried at \$61,019,957.49 are pledged to secure trust deposits and public funds and for other purposes as required by law.



## Statement of Earnings

1956

	2nd Quarter	Six Months
Operating Income . . . . .	\$ 4,385,497.94	\$ 8,623,099.63
Operating Expense . . . . .	2,887,655.70	5,704,856.75
Operating Earnings before Federal Income Tax . . . . .	\$ 1,497,842.24	\$ 2,918,242.88
Provision for Federal Income Tax on Operating Earnings . . . . .	755,000.00	1,475,000.00
NET OPERATING EARNINGS . . . . .	\$ 742,842.24	\$ 1,443,242.88
Loss on Securities Sold, after Taxes . . . . .	—0—	393.00
TOTAL EARNINGS BEFORE RESERVES . . . . .	\$ 742,842.24	\$ 1,442,849.88
Transferred from Valuation Reserve for Securities . . . . .	—0—	393.00
EARNINGS ADDED TO UNDIVIDED PROFITS . . . . .	\$ 742,842.24	\$ 1,443,242.88

## Per Share Earnings

Operating Earnings before Federal Income Tax . . . . .	\$ 1.71	\$ 3.33
Provision for Federal Income Tax on Operating Earnings . . . . .	.86	1.68
NET OPERATING EARNINGS . . . . .	\$ .85	\$ 1.65

## Statement of Surplus and Undivided Profits

Total—Beginning of Period . . . . .	\$17,583,693.18	\$17,277,042.54
Plus:		
Current Earnings . . . . .	742,842.24	1,443,242.88
TOTAL . . . . .	\$18,326,535.42	\$18,720,285.42
Less:		
Dividends Paid . . . . .	393,750.00	787,500.00
Total—End of Period . . . . .	\$17,932,785.42	\$17,932,785.42

Member Federal Deposit Insurance Corporation

## Moniana

ONE hundred years ago counterfeiting was so prevalent in the United States that there were almost as many spurious as honest bank notes in circulation. For this reason, all notes were looked upon with suspicion and discounted according to the distance of the issuing bank and its general reputation. In St. Louis, for example, a note that was issued by an up-state New York bank was rarely worth more than 87¢ on the dollar. Few businessmen would take a chance on accepting any note before checking it with the *Counterfeit Detector*. This was a 700-page reference volume which described frauds, good notes, and false notes, and listed credit ratings.

FEW American women could enter a bank in 1875 because they were usually crowded with men "among whom," said an etiquette book of the day, "it is not agreeable for a lady to penetrate." The Fifth Avenue Bank of New York City changed all that by creating an elegant parlor for women in its building. Here the fair sex could "cut coupons and eat bonbons with equal relish," according to a newspaper of the period. There was also an elaborate dressing room that was well stocked with scented soaps, lavender salts, hairpins, violet water, threaded needles, and scissors to help them clip coupons. As a result, every prim matron and dowager in town patronized the bank, now the Fifth Avenue office of The Bank of New York.

"THIS note is legal tender and is redeemable in awful money at the United States Treasury." This was printed on American \$50 counterfeit bills that were printed in Milan, Italy, recently. Before a single one could be put in circulation the Army had spotted the set-up and captured the criminals. Commented the officer who made the arrest: "The crooks sure made an awful mistake."

WAY back in A.D. 350 the large cities of China had regular banks that honored the commercial drafts of recognized businessmen. By 640 most of these institutions were paying interest on savings deposits above a certain reasonable minimum.

*Put new life* in an old bank building



Churubusco State Bank, Churubusco, Indiana

## ...with a Pittsburgh Open-Vision Front!

Many already well-established banks have discovered that modernizing their building is a very profitable investment. Present depositors and future prospects alike are impressed with a bright, up-to-date appearance. They feel that an open-vision front identifies the modern bank with progressive policies and services.

See how friendly and inviting this bank is with its new Pittsburgh Open-Vision Front. The large panels of Pittsburgh Solex® Heat-Absorbing Plate Glass allow the passer-by to see

the interior of the bank, and also make light, comfortable working conditions for the employees. Beautiful, gleaming Carrara® Structural Glass is used for the facia, and two Tubelite® Doors, in Tubelite Door Frames, finish the entranceway.

Find out what a Pittsburgh Open-Vision Front can do for your bank. In our big booklet there are dozens of examples of building modernization using Pittsburgh Products. Just send in the coupon and we'll be glad to mail you a free copy of this booklet.



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Pittsburgh 22, Pa.

Without obligation on my part,  
please send me a FREE copy of your  
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# The First National Bank of Chicago

Statement of Condition June 30, 1956

## ASSETS

Cash and Due from Banks . . . . .	\$ 589,329,456.20
United States Government Obligations . . . . .	626,784,200.96
Other Bonds and Securities . . . . .	164,783,093.25
Loans and Discounts . . . . .	1,447,690,606.79
Real Estate (Bank Buildings and Adjacent Property) . . . . .	1,406,636.71
Federal Reserve Bank Stock . . . . .	6,450,000.00
Customers' Liability Account of Acceptances . . . . .	2,448,454.89
Interest Earned, not Collected . . . . .	6,328,328.02
Other Assets . . . . .	1,778,843.09
	<u>\$2,846,999,619.91</u>

## LIABILITIES

Capital Stock . . . . .	\$ 100,000,000.00
Surplus . . . . .	115,000,000.00
Undivided Profits . . . . .	10,064,262.81
Discount Collected, but not Earned . . . . .	3,776,045.00
Dividends Declared, but Unpaid . . . . .	2,000,000.00
Reserve for Taxes, etc. . . . .	29,528,494.57
Liability Account of Acceptances . . . . .	2,448,454.89
Time Deposits . . . . .	\$ 536,648,089.23
Demand Deposits . . . . .	1,769,303,976.24
Deposits of Public Funds . . . . .	278,113,730.97
Liabilities other than those above stated . . . . .	<u>116,566.20</u>
	<u>\$2,846,999,619.91</u>

United States Government obligations carried at \$311,836,099.93 are pledged to secure United States Government and other public deposits, trust deposits, and for other purposes as required or permitted by law.

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MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Building with Chicago since 1863



(CONTINUED FROM PAGE 116)

ALUMINUM  
*Portable Tellers' Buses*  
OF DISTINCTION



NO. 1 TELLERS BUS EQUIPPED  
WITH COIN CONTROL



VAULT STORAGE LOCKER  
EQUIPPED WITH  
THE STOKES SYSTEM COIN  
CONTROL

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- ALUMINUM COIN TRAYS
- COIN CONTROL SYSTEMS

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CO INC

POST OFFICE BOX 3214  
CHARLOTTE 3 N C

**What's at Stake?**

It has been pointed out that banking can and, in a sense, is obligated to serve and to contribute to urban development. One added factor has not yet been given adequate treatment, and that is inducements. Publicity and business values have been referred to only in a general way. The glory is intangible, but much more than that is involved.

In St. Louis, for example, some \$30,000,000 of city and Federal money is being spent for slum clearance, to make way for an estimated \$350,000,000 of private building projects. Where private interests are involved, there are benefits for banking, and the philosophy of turning over cleared land for private redevelopment in gaining ground.

The feature of the Chicago story that was brought to your attention was the neighborhood conservation programs. What a stimulus this must be in the field of home-improvement loans!

Formal rehabilitation measures taken in New Orleans in 1954 involved only 3,000 dwelling units. At the same time, it was estimated that voluntary repair work of some nature was performed on 15,000 other dwelling units outside the operating areas of the formal program. This must have generated a considerable number of home improvement loans.

**A Game That's Worth the Candle**

The results reported here are only clues as to what is likely to happen and what is happening in any properly developing community. There is no reason to suspect that these results are unique or that they are not being duplicated. The impact on banking is plain, and the indication is that in the field of urban development, the banker's stake makes a game that is indeed worth the candle.

---

We'll bet the Director of the Bureau of the Budget is the kind of person who buys a two-pants suit.

Before marriage he talks and she listens. After marriage she talks and he listens. Later they both talk and the neighbors listen.

# AMERICAN TRUST COMPANY

## 102 YEARS OF BANKING

*Statement of Condition, June 30, 1956*

### RESOURCES

Cash on Hand and in Banks	\$ 280,014,313.24
U. S. Government Obligations	354,059,126.86
State, County, and Municipal Bonds	65,955,777.22
Other Bonds and Securities	24,409,447.36
Stock in Federal Reserve Bank	2,400,000.00
Loans and Discounts	805,309,549.40
Bank Premises and Equipment	13,534,208.74
Other Real Estate	1.00
Customers' Liability Under Acceptances	2,790,464.55
Accrued Interest Receivable and Other Assets	11,111,978.05
Total Resources	\$1,559,584,866.42

### LIABILITIES

Deposits	\$1,430,220,620.04
Acceptance Outstanding	3,082,331.61
Reserve for Unearned Discount	12,940,715.89
Reserve for Interest, Taxes, etc.	7,917,952.61
Other Liabilities	2,724,816.80
Capital Funds:	
Capital Stock	\$27,812,500.00
(\$10.00 par value)	
Surplus	52,187,500.00
Undivided Profits	22,698,429.47
Total Liabilities	\$1,559,584,866.42

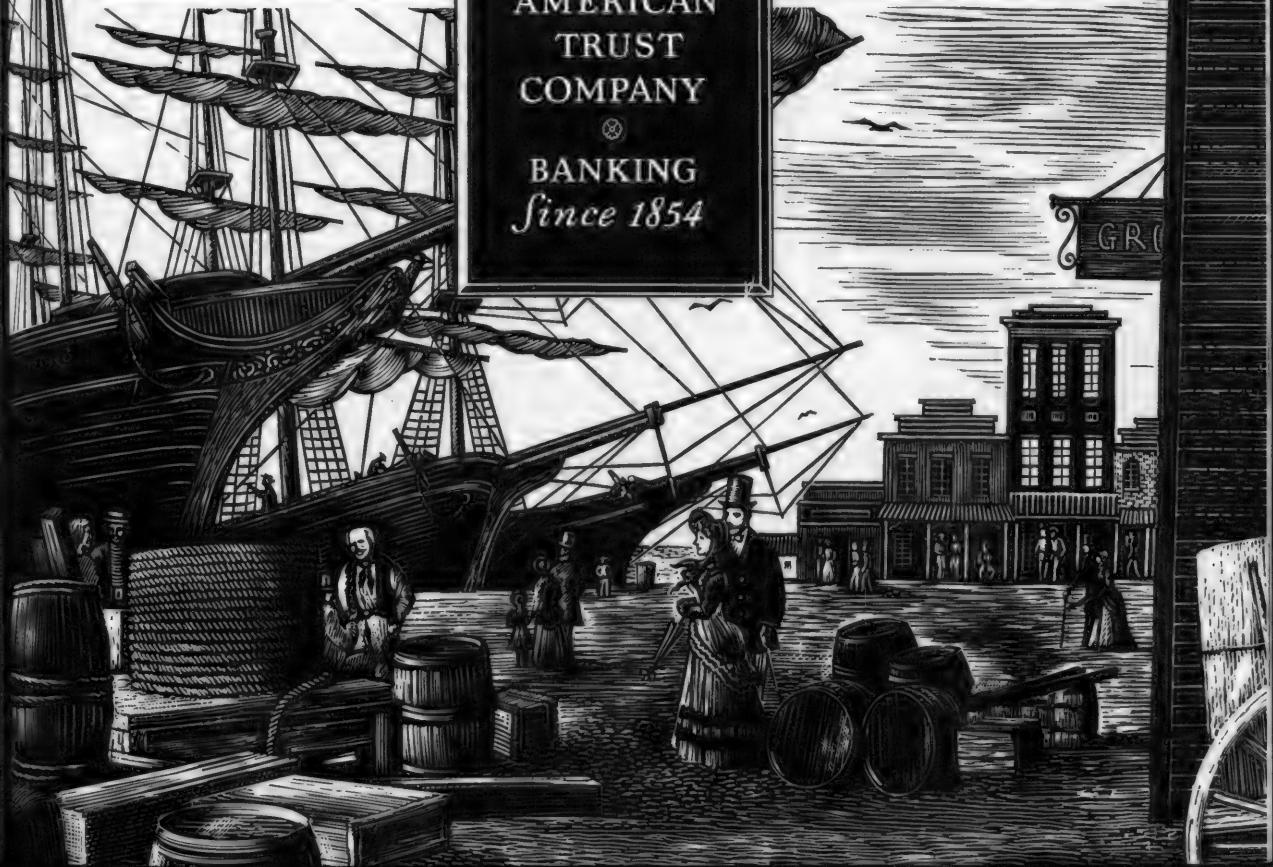
*United States Government and other securities carried at \$172,251,444.36 are pledged to secure U. S. Government Deposits, other public funds, trust deposits, and for other purposes as required or permitted by law.*

HEAD OFFICE: SAN FRANCISCO

Member Federal Deposit  
Insurance Corporation

Member Federal  
Reserve System

**AMERICAN**  
**TRUST**  
**COMPANY**  
**®**  
**BANKING**  
*since 1854*





# Australia

from  
a business  
point of view

*This booklet will assist anyone contemplating establishing a business in Australia, whether it is a small retail business or a large manufacturing company.*

Written with the authority of Australia's oldest and largest joint-stock bank, it offers those who wish to start a new enterprise in that young but growing country a short account of the framework of business organization throughout the Commonwealth of Australia. It also affords some knowledge of the problems and conditions which would be met.

If you have customers interested in establishing a business in Australia, you may obtain free copies of this book from:

## BANK OF NEW SOUTH WALES

BRITISH & FOREIGN DEPARTMENT, SYDNEY, AUSTRALIA

JOHN W. McEWEN, Manager

LEADING INDEPENDENT AND CHAIN BANKS

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Over one quarter of the nation's leading banks now using. More than 450 in use in one large Western bank chain. Simplifies change handling. Sturdy aluminum, gray hammertone finish. Parts and workmanship guaranteed.

A TRIAL WILL CONVINCE YOU. See your dealer or write factory for 15 day free trial.

ONLY \$63

With roll-out base—\$22.50 extra, plus tax. (Model 1107 with silver dollar key—\$70, plus tax)

M P

BRITISH & FOREIGN DEPARTMENT  
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HERITAGE

AMERICA'S FINEST PROMOTIONAL PEN

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ONLY 24¢ AND LESS!

Including YOUR Name and  
YOUR Ad in 100 Quantities  
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Goldtone or Chrome  
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FREE SAMPLE!

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Build Your  
Business."

PUT YOUR MESSAGE IN  
YOUR CUSTOMER'S POCKET!  
GIFTS WITH YOUR  
IMPRINT ACTIVATE SALES!

H ERITAGE MFG. CORP.  
Industrial Department  
FORT WORTH 12, TEXAS

## Making People Feel at Home

MORE and more banks, it seems, are employing a "hostess" who calls on new residents, bringing them a word of welcome and helpful information that will expedite their orientation.

MERCHANTS NATIONAL BANK & TRUST COMPANY of Syracuse, N.Y., follows up the calls made by a commercial welcoming service. The bank's representative—a woman—visits as many newcomers as possible, tries to expand their list of acquaintances, and offers the personal touch that is appreciated by strangers. She has, for example, found babysitters, doctors, and dentists for new residents, and established church contacts for them. Sometimes, even, the bank has assisted people in finding a home. Working with newcomers is a long-range program, says Merchants, but it's good community relations.

FIRST NATIONAL BANK of Kokomo, Ind., employs a woman full time to call on prospects who have just moved into town. Each week she checks with real estate agents, utility companies, hotels and motels for the names of arrivals. Each then gets the bank's "Welcome to Kokomo" letter; later, when the family is settled, the First's representative calls. The results in new business are good.

FIRST NATIONAL TRUST AND SAVINGS BANK of Lynchburg, Va., also welcomes new residents by letter, offering services and information that help establish them in Lynchburg. Names are obtained from the chamber of commerce and a commercial organization.

*It takes a very big wave of indignation to have much of a cleaning effect.*

What the world needs is fewer countries casting their bullets for a new president.

*There are still quite a few American families so poor they have only one car.*

One thing is certain—you never get lonely at the bottom of the ladder.

# Continental Illinois National Bank and Trust Company of Chicago

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CALVIN FENTRESS, JR.  
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LAWRENCE P. FISHER  
*Director, General Motors Corporation*  
CHARLES Y. FREEMAN  
*Director, Commonwealth Edison Company*  
WILLIAM A. HEWITT  
*President, Deere & Company*  
JOHN HOLMES  
*Chairman of Board, Swift & Company*  
THEODORE V. HOUSER  
*Chairman of the Board, Sears, Roebuck and Co.*  
JAMES R. LEAVELL  
*Banker*  
WILLIAM H. MITCHELL  
*Partner, Mitchell, Hutchins & Co.*  
ROBERT H. MORSE, JR.  
*President, Fairbanks, Morse & Co.*  
PETER V. MOULDER  
*President, International Harvester Company*  
H. A. SCANDRETT  
*Railroad Executive, retired*  
FRANK F. TAYLOR  
*Banker*  
HERMAN WALDECK  
*Banker*

## *Statement of Condition*

JUNE 30, 1956

## RESOURCES

Cash and Due from Banks.....	\$ 641,420,017.37
United States Government Obligations...	717,737,567.82
Other Bonds and Securities.....	183,981,311.81
Loans and Discounts.....	1,055,740,479.12
Stock in Federal Reserve Bank.....	6,450,000.00
Customers' Liability on Acceptances....	1,733,781.57
Income Accrued but Not Collected.....	8,241,416.75
Banking House.....	7,650,000.00
	<u>\$2,622,954,574.44</u>

## LIABILITIES

Deposits.....	\$ 2,359,987,255.71
Acceptances.....	1,791,266.04
Dividend Payable August 1, 1956.....	2,700,000.00
Reserve for Taxes, Interest, and Expenses.	10,091,522.00
Reserve for Contingencies.....	18,106,357.54
Income Collected but Not Earned.....	2,221,417.17
Capital Stock (2,700,000 shares, Par value \$33 1/3)	90,000,000.00
Surplus.....	125,000,000.00
Undivided Profits.....	13,056,755.98
	<u>\$2,622,954,574.44</u>

United States Government obligations carried at \$335,300,539.27  
are pledged to secure public and trust deposits and for other  
purposes as required or permitted by law

LA SALLE, JACKSON, CLARK AND QUINCY STREETS  
**LOCK BOX H, CHICAGO 90, ILLINOIS**

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# Canada's Output of Materials

CHARLES M. SHORT

**T**HE planned capital investment program for 1956 in Canada involving total expenditures of about \$10-billion (this figure includes intended outlays for new projects and those for the repair and maintenance of existing facilities, plus expenditures for defense construction and equipment) has exerted strong demand pressures on the national economy.

The program as a whole requires for its realization more materials, skilled labor, and money than were ever in sight in Canada. Shortages of certain materials, notably steel and cement, have delayed some of this work, and a prolonged steel strike in the United States would handicap it further. But foreseeing this labor trouble and higher prices for various materials, Canada imported from South of the Border record quantities of her requirements in the first half of this year. Total imports from the United States in that period exceeded \$2-billion, with machinery, other equipment, and construction materials forming a large part of this record trade. In one way and another enough new capital has been found for most worthwhile projects, much of it being raised in the United States.

Canada will have this year more materials of domestic origin, not as much altogether, of course, as will be needed for the completion of the capital investment program, but probably enough, with supplies from other countries, to provide for most of the new productive facilities in the program.

The accompanying table shows the production of important Canadian materials in 1955 and that which may reasonably be expected in the current year. The figures for 1955 were taken from official reports, while those for 1956 are the writer's

estimates based upon data from authoritative sources, and in some cases after consultation with the relative industries. These estimates may vary from the year-end results according to market conditions, price movements, and weather effects on surface operations, particularly in forestry. But previous experience with similar projections has shown that the margin between such estimates and actual results has been small.

### Production to Rise

The projected output for 1956 is within the established capacity of the relative Canadian industries and that which will be added during the year by further plant installations, although some of these will not be fully available for months yet. Moreover, losses sustained in copper and aluminum operations last year through hydroelectric power breaks and unprecedented waterpower shortages may take some time to overcome, but by the autumn production should rise well above the 1955 level.

Furthermore, a quite considerable decrease in lumber resulting from prolonged unfavorable winter log-

ging weather in both the Atlantic and Pacific Coast regions may not be overcome until the closing months of the year. This loss was felt with special severity in major timber districts of Vancouver Island where heavy snowstorms caused the shutdown of woods operations for several months.

### Largest Surplus Predicted

Canada has not the industrial facilities to use all of the supplies of materials which she is likely to produce this year and the greater part of some of these, notably iron ore, newsprint, and nonferrous base metals as well as aluminum, must, therefore, be regarded as exportable surplus. Even in the case of petroleum a fairly large proportion of the estimated output, probably 25%, will be diverted to the U. S. North Pacific and Midwestern states. But the large exportable surplus, one exceeding that of any previous year, will enable Canada to offer it in exchange for the larger supplies she will need from the United States and other countries to implement most of the capital investment program planned for 1956.

### Canadian Production of Major Industrial Materials

	1955 (Estimated)	1956 (Prospective)
Iron ore (tons)	17,377,000	22,000,000
Steel ingots (tons)	4,412,000	4,850,000
Woodpulp (tons)	9,968,000	10,300,000
Lumber (feet board measure)	7,500,000,000	7,500,000,000
Nickel (tons)	174,580	200,000
Copper (tons)	324,600	350,000
Lead (tons)	193,900	195,000
Zinc (tons)	421,900	445,000
Aluminum (tons)	600,000	630,000
Asbestos (tons)	1,055,260	1,100,000
Crude petroleum (barrels)	128,811,000	160,000,000



## Is he towing away commissions? (IT WOULD PAY YOU TO KNOW)

If you were the agent of a financial institution writing automobile physical damage policies under the American Plan your commissions would be in direct relationship to your loss ratio.

You would welcome American Plan's "Producer's Bulletins" that keep you alert to claim overpayments and unwarranted repair charges, and direct you to higher

earnings through lower loss ratios.

American Plan's program goes far beyond the execution of the agency agreement . . . gives producers the service facilities and the know-how of specialists . . . helps them write more profitable insurance.

Why not investigate American Plan today?

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Dept. B-8

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Please send me details on how I can  
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COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_

# Blueprints

(CONTINUED FROM PAGE 59)

sored by the Federal Government, exemplify the regional approach to industrial development.

*Private Companies and Individuals:* Activities of private companies and individuals represent some of the most aggressive efforts to attract industrial plants. Regardless of their business connections, many individuals imbued with a public interest act independently to improve the local economy or cooperate

in organized industrial development programs.

## Wider Areas

Prospective benefits to their own businesses prompt the participation of leaders in various industries. Aggressive development programs of most major railroads and public utility companies exemplify activities thus motivated. To supplement the work of their specialized departments, several railroad and utility companies have engaged outside consultants for analyses of industrial potentials in their territories.

Companies in many other lines include industrialization efforts as a means of attracting customers for their particular products. Leaders from innumerable servicing businesses, realizing that future sales volume is dependent on economic stability and growth, have given their time, and donated money and facilities, to support broad local and state development activities.

Thus direct and indirect benefits as well as interest in public welfare motivate companies and individuals to share the task of industrial development. The scope of such participation is illustrated by the list of stockholders who have subscribed "venture capital" for several state development credit corporations. In Massachusetts, for example, there are 213 stockholders, including 42 individuals and 171 business firms. The latter represent manufacturers, utilities, transportation, retailers, stock brokers, contractors, organized sports, investment management, real estate, chambers of commerce, insurance, wholesalers, hotels, and miscellaneous other businesses. A total of 129 banks and insurance companies play a key part through extension of credit.

## Types of Industrial Development Activities

Functions performed by the various state departments and by local or regional bodies includes the following:

(a) *Assembling of Information and Analyses of Data.* This function is generally featured in state programs and is important in most local agencies. At least five states and a number of cities have recently employed outside consultants to assemble pertinent data, analyze industrial resources, and indicate the type of industries suitable to the locality.

(b) *Publicizing Availability of Building and Sites.* This is a common function of local development bodies and some state divisions serve as a clearing agency for building and sites available for occupancy. Missouri, for example, issues such a list periodically.

(c) *Publication of Brochures.* These vary from pamphlets describing the state or locality as a desirable place in which to live, to presentations of detailed data on population, wage earners, etc. Oc-



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STATEWIDE INDEPENDENT BANK

First Western Bank  
AND TRUST COMPANY

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Service comes FIRST with FIRST WESTERN

casionally there is a report aimed at a particular industry (e.g., *Raw Materials for Petro-Chemicals in the State of Kansas*). Significantly, New York refrains from general brochures on the theory that its Department of Commerce should provide industrial location services tailor-made for each prospect.

(d) *Advertising.* Many of the states carry on a fairly extensive advertising program with varying emphases. Copy aims to attract new plants, appeal to tourists, and sell products grown or produced in the area.

(e) *Personal Contact.* Staff members of the appropriate state department generally confer with visitors interested in industrial sites. Many travel to prospects to discuss possible sites in the state. Nebraska sends a representative to a particular city, where advertisements announce his availability for consultation. The governor of West Virginia has personally promoted his state through luncheons arranged in key cities. Oklahoma businessmen volunteer for periodic visits to companies that are possible prospects.

(f) *Improving the Climate for Industry.* To an increasing extent, committees, commissions, and groups concerned with industrialization are attempting improvements in laws, administrative practices, and the attitudes of officials and the public. Their aim is to achieve a more attractive climate for industry.

Subjects singled out for such attention range from minor regulations on the local level to statewide programs.

A local group finds that the purchase of a fire truck will improve the insurance classification.

Promoters of industrial sites discover that uncertainties in state laws and regulations of stream pollution present obstacles to new plant location.

Clarification of water laws and revision of an antiquated riparian rights doctrine are being considered by developmental bodies in other states.

Police protection and tax assessment practices are frequently subjected to local review.

Revision of laws governing incorporation is an objective in at least one state.

In the field of labor, consideration is given to safety education and inspections, compensation awards, in-

dustrial commission attitudes, and even judicial decisions.

In one state, a prospect's criticism of existing labor laws occasioned the passage of a right-to-work law.

The inadequacy of technical education, in contrast with training for agriculture, has been pointed up in states undertaking to emphasize industry as an important supplement to farming.

Freight and utility rates frequently receive attention, whereas developmental bodies cooperate in obtaining favorable ICC rulings related to transportation facilities and

service, including airline schedules.

Objectives also include influencing public opinion and attaining more favorable political attitudes.

Some industrial development activities face actual opposition from businesses that fear encroachment on their labor supply or from citizens who desire the character of their communities to remain unchanged. In several states a farmer-dominated legislature is unsympathetic to industry.

Efforts to improve the climate for industry is rapidly pushing development bodies into broad projects.

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in banking**

## Union Bank MONEY ENGINEERING

### SCIENTIFIC ANALYSIS

UNION BANK was the first financial institution to create a department of Research and Engineering, combining scientific analysis with imaginative thinking for the solution of banking problems in everyday business.

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UNION BANK's specialists keep on top of all systems, methods and machines...making Money Engineering work for you and your customers. These banking technicians are able to incorporate time-saving, money-saving changes at a moment's notice when their findings warrant it...because we are a unit bank.

### RAPID TRANSIT

UNION BANK recognizes the vital role of transportation in modern banking. Through Money Engineering UNION BANK outraces clock and calendar to turn paper items into money, creating new working capital for your customers. UNION BANK offers the fastest transit service available to correspondent banks. Our list of correspondents has grown because we give them the kind of service they need and want. This is modern, efficient banking at work. THIS IS MONEY ENGINEERING... creating new dimensions in banking. UNION BANK & TRUST CO. of Los Angeles welcomes the opportunity to discuss ways of putting Money Engineering to work for your bank and its customers.

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& Trust Co.**

OF LOS ANGELES, 8TH AND HILL STS.

TELETYPE: LA501 • BANK WIRE: SLUN • THE BUSINESSMAN'S BANK • WE HAVE

## Government Bonds

(CONTINUED FROM PAGE 109)

other 93 cities the loans of the reporting banks rose about \$1 1/4 billion from early March to mid-May, dropped slightly to early June, rose thereafter to the previous peak and are still rising.

This is not a picture which indicates any lessening of the demand for credit and contains no reason for expecting its cost to decrease.

Testifying before the Subcommit-

tee on Economic Stabilization of the Joint Committee on the Economic Report, Chairman Martin of the Federal Reserve Board took occasion to spell out the differences between the powers which the System has to control the supply of credit. These powers are open market operations, discount rate changes and changes in reserve requirements.

Mr. Martin said: "Confusion often arises because we are apt to talk about the three parts of this mechanism as if we were offered a choice among three separate means of eas-

ing or tightening credit. All three must operate together in a continuing pattern. The supply of reserves being always basic, open market operations and reserve requirements affect that base. Discount rates do not affect the volume of that base but only the cost of reserves. It is therefore misleading to think of the three components as if they were alternatives to be used independently of each other. They must be used together."

Speaking of the effect of each of the components Mr. Martin continued:

"Reserve requirements are the bluntest of the three, having the heaviest impact because they directly affect all member banks . . . and release or absorb very large sums." They "are best suited to broad basic adjustments and the impact of such changes is often modified by subsequent Federal open market operations," which "are best suited to day-to-day market adjustments."

### Should Read Testimony

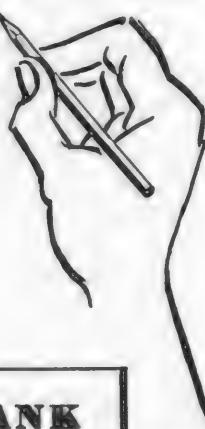
Mr. Martin's testimony was given in the Federal Reserve Bulletin for June and should be read carefully, but the phrase, which we underlined above explains what has occurred since the last rise in the reserve requirements and in the rediscount rate.

The Open Market Committee has been making "day to day adjustments" to absorb any temporary oversupply of credit or to provide relief if the supply was limited.

(CONTINUED ON PAGE 128)

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It doesn't matter how large or small your account, City National is equipped with the services and personnel to assist you promptly and efficiently. Call on us, our facilities and experience are at your immediate disposal.



**CITY NATIONAL BANK  
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**PROMPT  
COLLECTIONS**  
of all your  
**FLORIDA ITEMS**

and  
personal attention  
to your customers  
moving to our area

call on  
**THE BARNETT  
NATIONAL BANK**  
of Jacksonville

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GROWING WITH JACKSONVILLE SINCE 1877

"How much can I overdraw before you begin making a fuss about it?"



# First Wisconsin National Bank

JOHN S. OWEN  
Executive Vice President

OF MILWAUKEE  
WILLIAM G. BRUMDER  
President and Chairman of the Board

JOSEPH W. SIMPSON, Jr.  
Executive Vice President

*Statement of Condition as of June 30, 1956*

## RESOURCES

Cash and Due from Banks	\$151,209,468.63
U. S. Government Securities	148,050,351.36
Other Bonds and Securities	38,442,975.39
Stock in Federal Reserve Bank	1,080,000.00
Loans and Discounts	290,112,895.40
Other Resources	4,560,596.27
Bank Buildings and Equipment	4,454,479.54
	<hr/>
	\$637,910,766.59

## LIABILITIES

Capital	\$ 10,000,000.00
Surplus	26,000,000.00
Undivided Profits	3,677,561.56
*Reserve for Loans	8,274,964.55
Reserves for Interest, Taxes, Expenses, etc.	<hr/> \$ 47,952,526.11
Deposits	548,511,414.36
Treasury Tax and Loan Account	32,713,952.99
Other Liabilities	581,225,367.35
	<hr/> 6,135,282.35
	<hr/> \$637,910,766.59

\*The maximum allowed as a deduction  
by the Internal Revenue Service.

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A ample Resources . . . plus personal attention  
to your special needs . . .

The size of this bank, long the largest in Wisconsin, is an important basis for the scope and efficiency of

First Wisconsin service to correspondent banks and business corporations. But there's an equally important "plus" factor—the personal attention of experienced officers to

your special needs, assuring service geared to your unusual as well as your routine requirements.



## Banks and Other Customer Services Division

Seated, left to right: Robert A. Zentner, Vice President; Donald A. Harper, Vice President; George F. Kasten, Vice President; John G. Topp, Assistant Vice President. Standing, left to right: Mark A. Rusch, Assistant Vice President; L. J. Smotherman, Assistant Vice President; D. Wesley Correll, Vice President.



# Youngstown Kitchens...for blue chip home-modernization loans!



A loan on an all-steel Youngstown Kitchen has behind it all the prestige of the industry's unchallenged leader! This leadership is maintained by a tremendous national advertising program—in newspapers, magazines, and now on TV! What's more, Youngstown Kitchens are built to last a housetime—years beyond the loan's duration! Here's how . . .

- Heavy gauge, all-steel construction throughout—won't ever warp, rot, swell, or splinter!
- Flexibility—the industry's largest selection of units puts more value into even small areas!
- Up-to-the-minute styling—free color-choice, new built-ins and labor-saving appliances keep a Youngstown Kitchen modern for years!
- F.H.A. approval—Youngstown Kitchens are fully eligible for F.H.A.-insured loans!

For details on how your bank can share in the profitable modernization-loan business with Youngstown Kitchens, phone your Youngstown distributor. He'll be glad to arrange a lobby display. Or write: *Youngstown Kitchens, Dept. BA-856, Warren, Ohio.*

Leading banks are building sound, new business with the help of this Youngstown Kitchens lobby display



 *Youngstown Kitchens*

Division of **AMERICAN-STANDARD**



# Human Relations at Work

*Through a "Chairman of the Board's Personnel Committee"*

RUSSELL H. KIENZLE

A challenging and productive personnel program was instituted at Marine Midland Trust Company of Central New York last August. Harry W. Davies, the board chairman, established a "chairman of the board's personnel committee," patterned after a program originated by the late Harvey Gibson, president, Manufacturers Trust Company of New York.

This committee acts as the "eyes and the ears" of the board chairman, visiting with the staff members in each of the bank's branches and departments at least once a year.

The author, who is assistant vice-president of the Marine Midland Trust Company of Central New York, is secretary of the committee about which he writes.

THE primary objective of our chairman of the board's personnel committee is to assist the officers and department heads to obtain the things they need to

create good working conditions and cheerful employees.

The committee is headed by our executive vice-president and includes the officer in charge of branches, operations and personnel officers, and three other officers in top management. We believe a 7-man committee lends flexibility. Our working family numbers approximately 460 employees.

At the inception of the program an informative dinner meeting was held with senior department officers and department heads, during which their cooperation was solicited.

We employ the following procedures. A few days prior to a scheduled visit the secretary to the committee notifies the senior officer in charge or department head involved. The latter is asked to call a staff meeting the day before the visit, at which time he advises the staff as to the time, place, and purpose of the meeting. He also distributes an informative letter signed by the board chairman and suggests that

thought be given to suggestions or comments staff members may wish to make to the committee during the meeting or in response to a questionnaire which they will be asked to complete at the close of the meeting. The department head stresses the fact that their suggestions and comments will be noted, discussed, and sincerely welcomed, *all anonymously*. He signs and distributes, in sealed envelopes, individual fringe benefit folders entitled *Over and Above Your Salary*, showing the annual monetary cost to the bank for such benefits as free hospital, surgical and medical insurance, group life insurance, retirement income, and the bank's social security contribution. He suggests that staff members review these figures at home.

Before meeting with the staff, the personnel committee makes a physical inspection of the premises, noting anything needing attention—from lighting to modernizing and relocating an entire office. Housekeeping also receives attention.

At the staff meeting the department head introduces the committee members, usually four, including the committee chairman and secretary. Then the department head leaves, and the chairman proceeds to extend greetings from the board chairman, reiterates the purpose of the meeting and makes other comments. He then opens the meeting for discussion, reemphasizing that *no names are recorded* and that comments are being tabulated simply to obtain a composite picture of staff thinking.

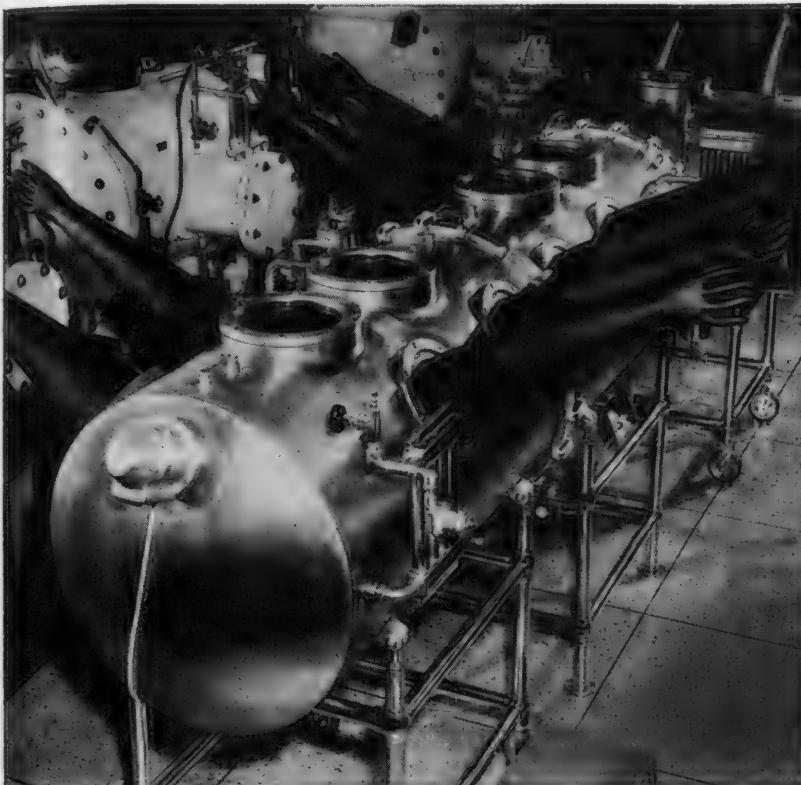
At the conclusion of the staff meeting, each employee receives a questionnaire which he is asked to complete immediately, *refrain from signing*, place in a sealed envelope, and deliver to the stenographer who noted the comments in the open meeting.

(CONTINUED ON PAGE 133)



A trust department staff meeting conducted by the chairman of the board's personnel committee. Seated at the head of the table is John A. Sheedy, executive vice-president and chairman of the committee. On his immediate right is Charles V. Lane, vice-president and committee member and on Mr. Lane's right is Francis Q. Coulter, vice-president and committee member. On Mr. Sheedy's immediate left is Russell H. Kienzle, assistant vice-president and secretary to the committee. On Mr. Kienzle's left is Marshall H. Colby, assistant secretary, personnel director, and committee member and on Mr. Colby's left sits John F. Creamer, assistant vice-president in charge of operations and committee member. Absent at the time was E. Robert Heitzman, vice-president and committee member.

# Only STEEL can do so many jobs so well



**Germ-free Animals.** At the Lobund Institute of the University of Notre Dame, these Stainless Steel germ-free units hold animals that lead a germ-free life. The animals are handled with the large gloves shown, and valuable experiments can be run on creatures who eat only sterilized food, and breathe sterile air. The Stainless Steel tanks are smooth and easy to clean, and they will not corrode.



**200,000 Square Feet of Roof!** The roof for this huge factory is made from steel roof deck welded to the roof purlins. The small crew shown in the picture can install over 8,000 square feet in a day. The welded construction protects against wind, bomb blast or earthquakes.

**Withstands 100 Falling Tons.** The Air Force B-47 Stratojet weighs 100 tons. When the plane touches down onto a runway, it needs the toughest, strongest landing gear that money can buy. The outer cylinder of each outrigger strut is made from USS Shelby Seamless Tubing. There are no welds. Each tube is pierced from a solid billet of fine steel. Only *steel* can do so many jobs so well.



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OIL WELL SUPPLY.. TENNESSEE COAL & IRON.. UNITED STATES STEEL PRODUCTS.. UNITED STATES STEEL SUPPLY.. Divisions of UNITED STATES STEEL CORPORATION, PITTSBURGH  
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6-1028

SEE The United States Steel Hour. It's a full-hour TV program presented every other week by United States Steel. Consult your local newspaper for time and station.



**STATEMENTS OF CONDITION**  
**JUNE 30, 1956**

**Society FOR SAVINGS**  
**IN THE CITY OF CLEVELAND**

**RESOURCES**

Cash on Hand and Due from Banks . . . . .	\$ 19,367,885.11
United States Government Obligations . . . . .	97,339,082.48
(including \$18,500,000.00 as Lawful Reserve)	
Other Investments . . . . .	32,938,595.60
First Mortgage Loans on Real Estate . . . . .	140,968,033.28
Other Loans and Discounts . . . . .	45,742,216.10
Bank Premises . . . . .	2,337,948.86
Interest Accrued and Other Assets . . . . .	1,855,704.81
Total. . . . .	\$340,549,466.24

United States Government Obligations carried at \$6,480,000.00 are pledged to secure Public Deposits as required or permitted by law.

**TRUSTEES**

WARREN BICKNELL, JR. President The Cleveland Construction Company	THOMAS COUGHLIN Director The Murray Ohio Manufacturing Co.	JAMES L. MYERS Chairman of the Board Clevite Corporation	HENRY S. SHERMAN Chairman of the Board
ROBERT F. BLACK Chairman of the Board The White Motor Company	FREDERICK C. CRAWFORD Chairman of the Board Thompson Products, Inc.	LAURENCE H. NORTON Director The Columbia Transportation Co.	CLARENCE M. TAYLOR President
CHARLES B. BOLTON President, Payne-Bingham Company	ERNEST C. DEMPSEY Attorney, Squire, Sanders & Dempsey	DRAKE T. PERRY Secretary The Harshaw Chemical Company	JOHN S. WILBUR Vice President
T. J. CONWAY President The Fisher Brothers Company	MERVIN B. FRANCE President	RALPH S. SCHMITT Vice President & Secretary The Cleveland Twist Drill Co.	ARTHUR P. WILLIAMSON President
	FRANK C. LEWMAN Director The Richman Brothers Company		The Dill Manufacturing Company

**Society NATIONAL BANK**  
**OF CLEVELAND**

**RESOURCES**

Cash on Hand and Due from Banks. . . . .	\$ 12,264,950.00
United States Government Obligations . . . . .	18,402,695.90
Other Investments . . . . .	2,119,546.31
Federal Reserve Bank Stock . . . . .	135,000.00
Loans and Discounts . . . . .	13,154,611.70
Interest Accrued and Other Assets . . . . .	155,928.99
Total. . . . .	\$ 46,232,732.90

United States Government Obligations carried at \$8,473,843.75 are pledged to secure Public Deposits as required or permitted by law.

**DIRECTORS**

WARREN BICKNELL, JR. President The Cleveland Construction Company	ERNEST C. DEMPSEY Attorney Squire, Sanders & Dempsey	JAMES L. MYERS Chairman of the Board Clevite Corporation	RALPH S. SCHMITT Vice President & Secretary The Cleveland Twist Drill Co.
ROBERT F. BLACK Chairman of the Board The White Motor Company	WILLIAM H. FLETCHER Retired	LAURENCE H. NORTON Director The Columbia Transportation Co.	HENRY S. SHERMAN Chairman of the Board
CHARLES B. BOLTON President, Payne-Bingham Company	MERVIN B. FRANCE President	HUGH M. O'NEILL President Anchor Motor Freight, Inc.	CLARENCE M. TAYLOR President
T. J. CONWAY President The Fisher Brothers Company	FRANK C. LEWMAN Director The Richman Brothers Company	DRAKE T. PERRY Secretary The Harshaw Chemical Company	JOHN S. WILBUR Vice President
	ABE M. LUNTZ President & Treasurer The Luntz Iron & Steel Company		ARTHUR P. WILLIAMSON President
			The Dill Manufacturing Company

**Convenient Locations Throughout Greater Cleveland**

MEMBERS FEDERAL DEPOSIT INSURANCE CORPORATION

## Human Relations

(CONTINUED FROM PAGE 130)

The questionnaire invites optional degrees of affirmative or negative responses to questions on working conditions, chances for advancement, morale in the office or department, the individual's liking for the work he is doing, and whether the supervisor radiates an interest in the employees' personal welfare and working conditions. Also the questionnaire asks whether the supervisor periodically informs staff members how they are progressing on their jobs. They are asked to rate, in the order of importance, 10 employee benefits, and finally they are asked for suggestions on how to make the bank a better and more pleasant place to work.

The committee then holds individual interviews with supervisors, assistant department heads and department heads in the order of rank. In the course of these interviews they, likewise, are told that their suggestions are most welcome and are invited to express themselves freely, after which the committee departs.

The secretary then prepares a summary report of the visit, which includes observations on the physical aspects, housekeeping, staff meeting, detailed comments made in the open staff meeting, a tabulation of the questionnaires and resultant comments, with percentages applied to the various responses, an analysis of the questionnaires, a recital of the general conversations held with the supervisors and department heads, and, finally, the committee's observations resulting from the visit.

The summary report is reviewed by the committee to insure that it gives an unbiased and fair evaluation of the visit before it is submitted to the chairman of the board. This report is perused only by the committee and board chairman and no confidence is ever violated. We feel that this is of extreme importance.

Instructions, on which a report is requested within 30 days, are given to personnel regarding matters requiring their action. Every reasonable request made by the staff receives immediate attention. If this is not possible, they are given a satisfactory explanation. All approved



## Agriculture

Seventy thousand Washington farmers make an important contribution to the state's diversified economy. Washington's farm production is valued at \$600 million annually. Agriculture is just one of the many industries that make this a Busy Corner of America.

## Washington's Statewide Bank

### STATEMENT OF CONDITION AT CLOSE OF BUSINESS JUNE 30, 1956

#### RESOURCES

Cash and Due from Banks . . . . .	\$164,953,580.19
U. S. Government Securities . . . . .	158,809,946.44
Obligations of Federal Agencies . . . . .	7,670,421.88
State and Municipal Securities . . . . .	67,742,391.50
Other Bonds and Securities . . . . .	1,050,005.00
Loans and Discounts . . . . .	\$400,226,345.01
Federal Reserve Bank Stock . . . . .	419,400,104.61
Bank Buildings, Vaults, Furniture and Fixtures, etc. . . . .	1,500,000.00
Interest Earned Not Received . . . . .	9,380,690.87
Customers' Liability under Letters of Credit and Acceptances . . . . .	2,830,518.72
TOTAL . . . . .	<u>9,371,635.26</u>
	<u>\$842,709,294.47</u>

#### LIABILITIES

Capital Stock . . . . .	\$20,000,000.00
Surplus . . . . .	30,000,000.00
Undivided Profits . . . . .	14,825,722.10
Reserve for Interest, Taxes, etc. . . . .	\$ 64,825,722.10
Discount Collected Not Earned . . . . .	4,564,671.37
Letters of Credit and Acceptances . . . . .	5,067,464.21
Deposits . . . . .	9,371,635.26
TOTAL . . . . .	<u>758,879,801.53</u>
	<u>\$842,709,294.47</u>

### 68 Statewide Offices



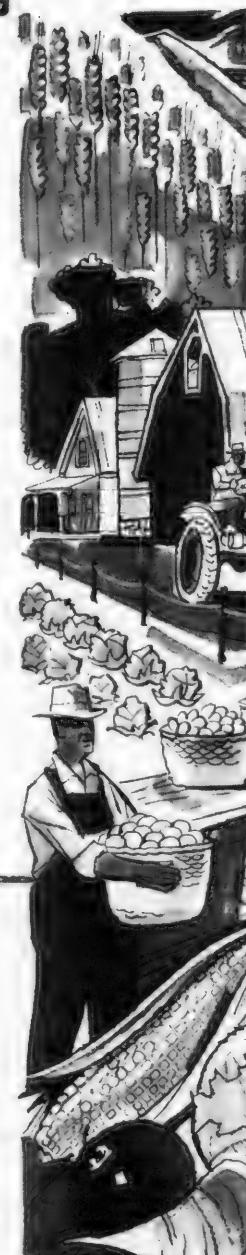
#### BOARD OF DIRECTORS

LAWRENCE M. ARNOLD  
Chairman

DON H. WAGEMAN  
Chairman, Executive Committee

FRANK E. JEROME, President

J. H. BALLINGER	O. D. FISHER	VOLNEY RICHMOND, Jr.
WELLWOOD E. BEALL	L. C. HENRY	WILBUR W. SCRUBY
HENRY BRODERICK	CHARLES H. INGRAM	ALFRED SHEMANSKI
F. H. BROWNELL, Jr.	ERIC A. JOHNSTON	ELBRIDGE H. STUART
CHARLES F. CLISE	RICHARD E. LANG	J. A. SWALWELL
EARL D. DORAN	RUSSELL MILLER	GEORGE VAN WATERS
JOEL E. FERRIS	B. A. PERHAM	KATHERYN WILSON
	W. G. REED	



# IF YOU NEED ACCURATE INFORMATION ON COLOMBIA

★ ★ ★ ★ ★

U. S. industry is joining the parade of Colombian expansion . . .

- ★ Where new U. S. manufacturing plants are being established to tap Colombia's abundant markets.
- ★ Where new wealth is being extracted from Colombia's rich soil.
- ★ Where new business is being stimulated by friendly foreign trade relations between the U. S. and Colombia.

All this means that more and more banks are looking long and carefully at Colombia's continuing development when seeking correspondent relations in Latin America.

The reliable and responsible commercial and financial information supplied by the Banco Comercial Antioqueño is supported by our 43 years' experience growing with Colombia, and the complete facilities of our 37 offices located in every important commercial market of the country.

*We invite your inquiries.*

## BANCO COMERCIAL ANTIOQUEÑO

Established 1912

Cable address for all offices — *Bancoquia*

Capital paid-up	\$21,205,712.50 — Pesos Colombian.
Legal reserves	\$21,000,000.00 — Pesos Colombian.
Other reserves	\$7,233,000.00 — Pesos Colombian.

General Manager: Antonio Derka

Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

BRANCHES: Armenia (C), Barrancabermeja, Barranquilla (3), BOGOTA (6), Bucaramanga, Cali (2), Cartagena, Cartago, Cúcuta, Girardot, Ibagué, Leticia, Magangué, Manizales, Medellin (3), Montería, Neiva, Palmira, Pasto, Pereira, Puerto Berrio, San Gil, Santa Marta, Sincelejo, Socorro, Veles (5)

New York Representative — Henry Ludeke, 40 Exchange Place, New York 5, N. Y.

**CANADA'S  
FIRST  
BANK**



650 BRANCHES ACROSS CANADA



COAST-TO-COAST

## BANK OF MONTREAL

New York—64 Wall Street      San Francisco—333 California Street  
Chicago: Special Representative's Office, 141 West Jackson Blvd.

•      RESOURCES — \$2,700,000,000

requests for new equipment and changes in physical setup are initiated by the department head.

A letter is then written by the committee chairman to the department head in which he expresses the committee's appreciation for the cooperation received and makes appropriate comments on the housekeeping and related matters disclosed as a result of the visit. He also states that a letter will follow from the chairman of the board, in which comments will be made on other phases of the report.

The chairman of the board's letter reflects his conclusions and suggestions as to matters requiring attention. He encloses a copy of the analysis of the questionnaires and an edited narrative report of the comments made in the staff meeting. Any comments tending to identify the maker, are deleted. He also informs the recipient that the information is given *confidentially and anonymously* and that no attempt is ever to be made to trace directly any comment or remark to its source. The approach in the entire program is both sympathetic and friendly.

### Many Benefits Achieved

We conclude that this program has resulted in manifold collateral benefits accruing to employees and management. It has afforded an opportunity to supply additional evidence of our eagerness to help our employees help themselves. A satisfying cooperative spirit has been prevalent at all levels. The success or failure of such a program rests with the committee members, who must at all times take a sympathetic approach and evaluate each picture without prejudice.

Francis A. Smith, president, Marine Trust Company of Western New York, Buffalo, has served as chairman of a comparable committee known as the "president's personnel committee." This group has visited some 85 departments and offices, compared with our 12 visits.

Both Mr. Smith and Mr. Davies have expressed their enthusiasm for the program and their satisfaction with its results.

A person who is reckless in crossing busy streets may be known either as a "jay-walker" or "the deceased."

**NEW!**

# Credit Check Plan

Improves customer  
relations and reduces handling  
costs in the instalment loan department

## ADVANTAGES OF CREDIT CHECK PLAN

### for the customer:

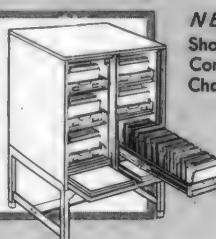
- 1 *Approval Of Application* establishes line of credit, which is available as long as payments are made as agreed. Each payment restores the amount of available credit.
- 2 *Draw Checks Anytime, Anywhere*, once loan is established, whether bank is open or not.
- 3 *Monthly Statement* shows the amount agreed upon to be paid monthly and arrives shortly before the payment is due.

### for the bank:

- 1 *Reduced Cost of Operations* on personal loans.
- 2 *One Interview, one investigation and one approval suffice* on this revolving type of Credit Check Plan.
- 3 *One Application* — no renewal applications.

- 4 *Continuous Record* of the activities of each borrower.
- 5 *No Disbursement Problem* — customer draws checks which simply become an item on the account.
- 6 *Everything In One Place In The File* — the ledger card, application, collection record and unposted transactions.
- 7 *Minimized Collections* — monthly statement to each borrower arriving shortly before the payment is due.
- 8 *Automatic Trial Balances* of both loan balance and past due amount are a by-product of the posting of the account. Every posting on every ledger card is part of a proved trial balance.
- 9 *Space Savings* — application file merged with ledger file — *savings up to 75%*!
- 10 *Microfilm Control* of media.

The Credit Check Tray-Safe Affords Certified Protection At Point-Of-Use... Point-of-use record protection is provided 24 hours a day... for ledger cards, history cards, checks, payment slips and all related records. This unit bears the Safe-Cabinet Laboratory and Safe Manufacturers National Association 1-hour labels certifying one hour protection in a raging fire — even up to 1700°F.



**NEW FOLDER—FREE!**  
Shows Detailed Operation,  
Complete in Flow-  
Chart Form.

**SEND TODAY!**  
Simply write Remington Rand,  
Room 1857, 315 Fourth Avenue,  
New York 10. Ask for X1642 —  
Credit Check Plan.



**Remington Rand**

DIVISION OF SPERRY RAND CORPORATION

## SPECIALIZATION

...in the One Field  
of Credit Life  
Insurance  
Since 1925

Licensed in  
all 48 States,  
D.C. and Hawaii  
with Regional  
Service  
Offices  
Coast  
to Coast



Do your directors  
read BANKING?

DO YOU NEED—  
25¢ dime and quarter  
savers, book-type.  
printed in various colors  
SAMPLES and PRICES ON REQUEST

WILLIAM EXLINE INC.  
1270 Ontario Street • Cleveland 13, Ohio

## Main Street

(CONTINUED FROM PAGE 31)

president of City National Bank and Trust Company, Kansas City, made the presentation. MR. CARTER is a former president of the Association.

FIRST NATIONAL BANK AND TRUST COMPANY of Paterson, N. J., has opened a new office in Ringwood, N. J.

FIRST NATIONAL CITY BANK of New York has opened an employees' cafeteria at its office at 17 East 42 Street. A unique feature is that one meal period is at 2:30 A.M. for employees who work through the night processing checks for correspondent banks.

THE MERCHANTS NATIONAL BANK of Muncie, Ind., held a Saturday open house on completion of its remodeling project.

VINCENT E. FUREY advanced to senior vice-president of Girard Trust Corn Exchange Bank, Philadelphia. He's a G.S.B. alumnus.

A portrait of EDWARD EAGLE BROWN, chairman of the board of The First National Bank of Chicago, has been unveiled at the Chicago Clearing House Association's headquarters. Mr. Brown served for 20 years as a member of the Clearing House Committee; and, before that, 13 years as counsel. The portrait is by John Doctoroff, Chicago portrait artist, and will hang in the assembly room with portraits of other prominent Chicago bankers.



Thomas L. Ray



Donald Dresser

THOMAS L. RAY advanced to vice-president in the bond department of Mercantile Trust Company, St. Louis.

DONALD M. DRESSER was named executive vice-president at the Toledo (Ohio) Trust Company.

FIRST NATIONAL BANK of Minneapolis has announced plans for its new skyscraper, on which construction is to start next year. While plans are not yet final, it will have at least 20 stories of office space, rising above a base unit of five stories which the bank will utilize. It will have a plaza with trees and a reflecting pool, under which will be a large auto-bank facility.

Proposed merger: FIDELITY TRUST COMPANY and BANKERS TRUST COMPANY, Indianapolis, the new bank to be known as FIDELITY BANK AND TRUST COMPANY. Effective date is September 1, if all necessary approvals are acquired. Combined resources approximate \$80,000,000.

THOMAS F. CREAMER, RALPH W. DEY, and WALTER W. JEFFERS advanced to vice-presidencies at the First National City Bank of New York.

Arnulf Ueland, left, president, Midland National Bank, Minneapolis; Stewart Cosgriff, second from right, vice-president, Denver National Bank; Samuel B. Stewart, right, with Charles Fleetwood, second from left, chairman, at National Campaign Leaders Conference, Dayton, planning this fall's united community campaigns



"...glad to tell you.

On your side of the border we use  
National Bank of Detroit."



# NATIONAL BANK OF DETROIT

More Friends Because We Help More People

Member Federal Deposit Insurance Corporation

## Better Marketing Leads to Increased Income

(CONTINUED FROM PAGE 84)

feed and grazing on the farm, high producing cows, and an efficient volume of production per dairy farm.

### Forestry's Tremendous Potential

Forestry offers a tremendous potential—much bigger than many people realize—for increasing income on thousands of farms. Timber production is one of the few industries offering attractive oppor-

tunities for expanded production over wide areas.

One of the big developments in recent years has been the increased acreage in forestry. Since 1937, forestry acreage in Alabama has increased by more than 2,000,000 acres. This increase in timber-growing land has run parallel with the cotton acreage decline. This comparison of timber with cotton

is even more striking in another way. Both cotton and pine trees produce cellulose fiber. Farmers consider themselves doing a good job when they get one bale, or 500 pounds of lint cotton, per acre. But with pine trees and good forestry practices, they can produce 2,000 pounds of cellulose yearly per acre.

The development of market news service is recommended for pulpwood, sawlogs, and other timber products, similar to what is being done in livestock, cotton, dairy products, poultry, and other agricultural products.

### Small Landowners Key to Boost

The key to getting the needed increased production lies largely with small farm landholders, who own 47% of the commercial forest land in Alabama. Forestry practices on these lands are not up to the standards maintained in large timberland holdings and national forests. Those who finance farmers can make a major contribution toward full development of the forestry potential by inquiring closely as to the forestry situation on the farm when the operator makes application for a loan and discusses other phases of his operations. Such inquiries should cover these points: Is the land adequately stocked? have fire protection measures been provided? when did the operator last sell timber? what return did he receive? and how long before another sale is expected? The banker should let the land holder know that these points are being considered along with other factors in arriving at a decision on whether to grant the loan. Assistance to the operator on the part of the bank to insure his getting full value from timber when he makes a sale will go far toward making the farmer a good, forestry-minded individual.



convert to cash quickly!

Commerce Trust sends more checks direct to the paying town than any other commercial bank in the nation!

You can save from one to three days collection time... time that can prove profitable to your operation. Join the 1500-plus correspondent banks now sending direct through "18-1"... THE TRANSIT CROSSROADS OF THE NATION.

*We used to dread chaos in the world, but it isn't so bad now that we are used to it.*

No small boy can understand why they have grown-ups judge jam and jelly exhibits at the country fairs.

*A man's achievements in business depend partly on whether he keeps his mind or his feet on the desk.*





# MICHIGAN NATIONAL BANK

BATTLE CREEK

FLINT

GRAND RAPIDS

LANSING

MARSHALL

PORT HURON

SAGINAW

## STATEMENT OF CONDITION

*June 30, 1956*

### ASSETS

Cash and Due from Banks.....	\$ 49,956,293.07
U. S. Government Securities.....	129,531,629.45
U. S. Guaranteed Loans.....	54,601,920.32
	<hr/>
Loans—Other.....	177,914,093.24
Bank and Office Buildings.....	7,834,727.20
Federal Reserve Bank Stock.....	480,000.00
Accrued Income.....	973,044.17
Other Assets.....	1,174,016.85
	<hr/>
Total Assets.....	<b>\$422,465,724.30</b>

### LIABILITIES

Deposits.....	\$ 382,867,442.54
Other Liabilities.....	3,722,187.83
Deferred Income.....	12,922,865.16
	<hr/>
Preferred Stock.....	\$ 1,000,000.00
Common Stock.....	7,500,000.00
Surplus.....	7,500,000.00
Profits and Reserves.....	6,953,228.77
	<hr/>
Total Liabilities.....	<b>\$422,465,724.30</b>

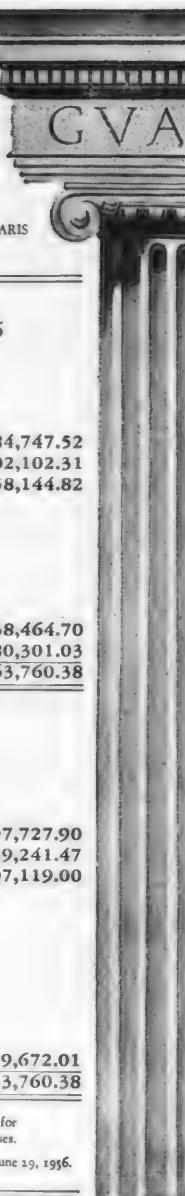
OPEN EACH WEEKDAY INCLUDING SATURDAY UNTIL 4:30 P.M.

*Member  
Federal Reserve System  
Federal Deposit Insurance Corporation*

# Guaranty Trust Company of New York

140 BROADWAY

FIFTH AVE. AT 44th ST. MADISON AVE. AT 60th ST. LONDON PARIS  
40 ROCKEFELLER PLAZA BRUSSELS



*Condensed Statement of Condition, June 30, 1956*

## RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers . . . . .	\$ 603,184,747.52
U. S. Government Obligations . . . . .	678,302,102.31
Loans and Bills Purchased . . . . .	1,476,158,144.82
Public Securities . . . . .	\$ 67,194,772.57
Stock of Federal Reserve Bank . . . . .	9,000,000.00
Other Securities . . . . .	28,592,299.20
Credits Granted on Acceptances . . . . .	13,143,495.20
Accrued Interest, Accounts Receivable, etc. . . . .	21,319,055.94
Real Estate Bonds and Mortgages . . . . .	10,388,841.79
Bank Premises . . . . .	149,638,464.70
	7,080,301.03
Total Resources . . . . .	<u>\$2,914,363,760.38</u>

## LIABILITIES

Capital (5,000,000 shares - \$20 par) . . . . .	\$100,000,000.00
Surplus Fund . . . . .	200,000,000.00
Undivided Profits . . . . .	110,797,727.90
Total Capital Funds . . . . .	\$ 410,797,727.90
Deposits . . . . .	2,448,829,241.47
Foreign Funds Borrowed . . . . .	807,119.00
Acceptances . . . . .	\$ 16,578,837.24
Less: Own Acceptances Held for Investment . . . . .	2,062,934.59
	\$ 14,515,902.65
Dividend Payable July 16, 1956 . . . . .	4,000,000.00
Items in Transit with Foreign Branches . . . . .	2,467,059.20
Reserve for Expenses and Taxes . . . . .	19,047,851.80
Other Liabilities . . . . .	13,898,858.36
Total Liabilities . . . . .	<u>53,929,672.01</u>
	<u>\$2,914,363,760.38</u>

Securities carried at \$107,287,912.59 in the above statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

This statement includes the resources and liabilities of the English and Belgian Branches as of June 29, 1956.

J. LUTHER CLEVELAND  
*Chairman of the Board*

WILLIAM L. KLEITZ  
*President*

THOMAS P. JERMAN  
*Executive Vice-President*

DALE E. SHARP  
*Executive Vice-President*

## DIRECTORS

GEORGE G. ALLEN *Chairman of the Board,  
Duke Power Company*  
J. LUTHER CLEVELAND *Chairman of the Board*  
CHARLES P. COOPER *President,  
The Presbyterian Hospital in the City of New York*  
WINTHROP M. CRANE, JR. *Chairman of the Board,  
Board, Crane & Co., Inc., Dalton, Mass.*  
STUART M. CROCKER *Chairman of the Board,  
The Columbia Gas System, Inc.*  
JOHN T. DORRANCE, JR. *Assistant to the  
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CHARLES E. DUNLAP *President,  
The Berwind-White Coal Mining Company*  
WALTER S. FRANKLIN *Director,  
The Pennsylvania Railroad Company*  
W. ALTON JONES *Chairman of the Board,  
Cities Service Company*  
CORNELIUS F. KELLEY *Director,  
The Anaconda Company*

WILLIAM L. KLEITZ *President*  
CHARLES S. MUNSON *Chairman of the Board,  
Air Reduction Company, Inc.*  
GEORGE E. ROOSEVELT *of Roosevelt & Son*  
CARROL M. SHANKS *President,  
The Prudential Insurance Company of America*  
CHARLES M. SPOFFORD *of Davis Polk Wardwell Sunderland & Kiendl*  
EUGENE W. STETSON *Chairman, Executive  
Committee, Illinois Central Railroad Company*  
JAMES M. SYMES *President,  
The Pennsylvania Railroad Company*  
KENNETH C. TOWE *President,  
American Cyanamid Company*  
CHARLES E. WILSON *Trustee,  
The Ford Foundation*  
ROBERT W. WOODRUFF *Chairman,  
Finance Committee, The Coca-Cola Company*

## DIRECTORS EMERITUS

W. PALEN CONWAY

*Member Federal Deposit Insurance Corporation*

WILLIAM C. POTTER

## Bank Law News

(CONTINUED FROM PAGE 93)

**Federal Tax Lien:** Lien for Federal taxes is superior to mechanics lien arising under Illinois law on a performed contract to furnish labor and materials for improvement of real estate, even though mechanic had recorded his lien and instituted suit to enforce it, before Federal taxes in question had been assessed. U.S. v. White Bear Brewing Co., (U.S. Sup. Ct.) 22 L.W. 3266

**Federal Tax Lien:** Where proceeds of judicial sale of land encumbered by state and Federal tax liens and creditors liens preferred by Federal statute over the Federal lien are insufficient to pay all encumbrances in full, a fund should be set aside equal to amount of liens preferred over Federal lien. State taxes should first be paid from the fund, creditors should next be paid in order of the priority among them, and remainder, if any, should then be paid to the United States. Southern Ohio Savings Bank & Trust Co. v. Bolce, (Ohio Sup. Ct.) 165 O.S. 201.

**Interest and Usury:** Under Nebraska statutes, an offer by a lender to credit debtors with the amount of all interest contracted for in excess of the maximum 9% rate, will not purge loan transactions from usury and the lender may collect neither the principal nor the interest on the loans. State v. Associates Discount Corp. (Neb. Sup. Ct.), 73 N.W.2d 673

**Decedent's Checks:** Notice appearing in obituary columns of newspapers does not give banks constructive notice of death of depositor, for purposes of the rule that, where drawee bank lacks notice or knowledge of depositor's death it may make payment of his checks without incurring liability for so doing. Caldwell v. First National Bank of Wellston (Mo. Ct. App.), 283 S.W.2d 921.

JOHN RENÉ VINCENS

A newspaper says it's dangerous for a young man to propose while he is driving a car. It's dangerous anywhere, son.



**THE MODERN ARNOLD SAVINGS BANK,** Arnold, Mo., where fast, efficient service is provided by a 100% National System.



**THE BANK'S** National Checking Account Posting Machines are easy to operate, present no training problem.

A NATIONAL PROOF MACHINE provides maximum audit control, helps eliminate overtime.

# "Our *National* System pays for itself every 3 years through many savings!"

—Arnold Savings Bank, Arnold, Mo.



**MR. ELMER J. KOHLER,**  
Executive Vice-President & Cashier

"We are using a National Proof Machine, 4 commercial Posting Machines and 11 Adding Machines for internal records and special applica-

tions. Among the many benefits we have received from our National equipment are ease of operation and simplified personnel training, maximum audit control, and good customer relations. Equally important, we now have better utilization of personnel and have eliminated all overtime.

"Through these many savings, our National System pays for itself every 3 years. We think it one of the best investments our bank has ever made."

Save time and money for your own bank with an efficient National Sys-

tem. Nationals soon repay their cost, then continue to earn profits with valuable information and control. To get all the time- and money-saving facts on a National System call your nearby National representative, a trained systems analyst. His name is in the classified section of your phone book.

\*TRADE MARK REG. U. S. PAT. OFF.

**National**  
ACCOUNTING MACHINES  
ADDING MACHINES • CASH REGISTERS

**THE NATIONAL CASH REGISTER COMPANY, Dayton 9, Ohio**  
989 OFFICES IN 94 COUNTRIES

## DIRECTORS

**BARNEY BALABAN**  
President, Paramount Pictures Corporation

**EDWIN J. BEINECKE**  
Chairman, The Sperry and Hutchinson Co.

**CLINTON R. BLACK, JR.**  
President, C. R. Black, Jr. Corporation

**ALVIN G. BRUSH**  
Chairman, American Home Products Corporation

**LOU R. CRANDALL**  
President, George A. Fuller Company

**CHARLES A. DANA**  
Chairman, Dana Corporation

**HORACE C. FLANIGAN**  
President

**JOHN M. FRANKLIN**  
President, United States Lines Company

**JOHN GEMMELL, JR.**  
Clyde Estates

**PAOLINO GERLI**  
President, Gerli & Co., Inc.

**EUGENE S. HOOPER**  
Senior Vice President

**JOHN L. JOHNSTON**  
Director, Phillips Petroleum Company

**OSWALD L. JOHNSTON**  
Simpson Thacher & Bartlett

**BARRY T. LEITCHARD**  
President, Cluett, Peabody & Co. Inc.

**KENNETH F. MACLELLAN**  
President, United Biscuit Company of America

**JOHN T. MADDEN**  
President, Emigrant Industrial Savings Bank

**JOHN P. MAGUIRE**  
President, John P. Maguire & Co., Inc.

**GEORGE V. McLAUGHLIN**  
Vice Chairman, Triborough Bridge and Tunnel Authority

**GEORGE J. PATTERSON**  
President, Scranton & Lehigh Coal Co.

**WILLIAM G. RABE**  
Chairman, Trust Committee

**HAROLD C. RICHARD**  
New York City

**HAROLD V. SMITH**  
Chairman, The Home Insurance Company

**L. A. VAN BOMEL**  
Chairman, National Dairy Products Corporation

**HENRY C. VON ELM**  
Honorary Chairman

**GEORGE G. WALKER**  
President, Electric Bond and Share Co.

# MANUFACTURERS TRUST COMPANY

Head Office: 55 Broad Street, New York

## 112 OFFICES IN GREATER NEW YORK

### Statement of Condition, June 30, 1956

#### RESOURCES

Cash and Due from Banks .....	\$ 790,434,555
U. S. Government Securities .....	721,848,004
U. S. Government Insured F. H. A. Mortgages .....	71,919,552
State, Municipal and Public Securities .....	175,302,065
Stock of Federal Reserve Bank .....	4,511,700
Other Securities .....	31,128,519
Loans, Bills Purchased and Bankers' Acceptances .....	1,065,731,214
Mortgages .....	25,904,330
Banking Houses .....	18,085,363
Customers' Liability for Acceptances .....	24,199,697
Accrued Interest and Other Resources .....	7,988,779
	\$2,937,053,778

#### LIABILITIES

Capital (5,039,000 shares—\$10. par) .....	\$ 50,390,000
Surplus .....	100,000,000
Undivided Profits .....	51,547,986 \$ 201,937,986
Reserves for Taxes, Unearned Discount, Interest, etc. .....	19,374,070
Dividend Payable July 15, 1956 .....	2,204,562
Outstanding Acceptances .....	25,328,259
Liability as Endorser on Acceptances and Foreign Bills .....	17,726,424
Other Liabilities .....	1,661,386
Deposits .....	2,668,821,091
	\$2,937,053,778

United States Government and Other Securities carried at \$143,462,986 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

Member Federal Reserve System  
Member New York Clearing House Association  
Member Federal Deposit Insurance Corporation

## Broiler Financing

(CONTINUED FROM PAGE 83)

Poultry financing is relatively important to most of the banks contacted. Some stated that poultry loans accounted for about 13% of their total loans. Poultry financing had, at times, amounted to 60% of the total loans in one bank and at times was as low as 20% of total loans. This bank had no losses on poultry loans. However, about half of the feed dealers the bank had done business with had heavy losses and are out of the broiler business.

### Bank Financing

Most of the banks are financing, or had at times financed producers. It was not uncommon for a bank to finance the producer's houses and equipment and on occasion finance the purchase of baby chicks and feed. However, this financing of producers was on a selected basis and usually secured with collateral in addition to the collateral used in the production of broilers.

All of the banks contacted, except two, were financing some feed dealers. Loans to feed dealers were based on the dealers' statement and in addition, liens may be taken on baby chicks, title to feed may be held by the bank or other security may be required.

Only three of the banks made loans to processors. Some loans were for equipment, some were on receivables, and some were on inventories. Most of the banks had made loans to hatcheries. However, generally speaking, there was more reservation in lending to hatcheries. About half of the banks had made loans to feed manufacturers. It seems that those lending to feed manufacturers financed them in the same manner as they did other commercial concerns.

It was typical from most of the replies that broiler loans are not usually made as a part of an agricultural loan. They are usually handled as a separate loan and given individual attention.

### Broilers Show Fast Turnover

The broiler industry is here to stay. It is a business of fast turnover compared with other farming

pursuits. There is a relatively heavy turnover of producers and of feed dealers. Price fluctuations of even 20% to 25% may occur in a few weeks' time. The industry requires large amounts of borrowed capital. Efficiency throughout the industry has increased at a remarkable rate. The industry is doing an outstanding job in increasing quality, in advertising, and in expanding markets. It is giving employment and income to large numbers of people. It is providing the consuming public with a quality product.

Commercial banks in the larger cities can make their greatest contribution to financing the industry by making loans direct to the larger commercial concerns in the industry and by participating in loans with banks in the local communities. However, even in loans to large commercial concerns in the broiler industry, in the majority of cases, the Trust Company of Georgia and affiliated banks are participating with local banks. The local banks know their local large concerns and their operations. They are able to follow their day-to-day operations. Of equal importance the local banks know the small concerns and the individuals with whom the large concerns are doing business.

### Know the Business

Banks, to be successful in lending to the broiler industry and to be constructive and safe in their lending, must know the broiler business; and of course, they must know the individual or the individual concern to whom they lend. Banks in Georgia have, are, and will continue to lend to those in the broiler industry. Those who can constructively use credit, have the capacity to use credit, have the collateral to secure the needed credit, and have the character, can secure adequate credit to meet their sound needs.

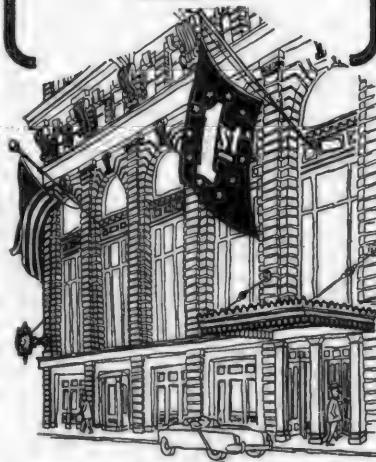
Even if automobiles can't push trains off the track, they certainly keep trying.

*Things are never as bad as they seem. There must be millions of Russians who don't hate anyone.*

THE BANKERS' BANK  
OF THE UPPER MIDWEST

# FIRST NATIONAL BANK OF MINNEAPOLIS

SINCE 1857



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

do you need

precision-made  
machine and hand  
posting ledger cards

Samples and Prices on Request

WILLIAM EXLINE INC.

1270 Ontario Street • Cleveland 13, Ohio

Get more out of . . .

BANKING

. . . at home!

Reading BANKING at home is like looking in on a banker's conference without leaving your favorite armchair.

\$5.00 per year

American Bankers Association

12 E. 36th Street—New York 16, N. Y.

# Special-Events Promotion

If we can point a finger at any one thing that is essential to the prosperity and well-being of the present-day bank, it is *selling*. In fact, selling is a common denominator of your bank, my bank, of all banks. And the star of selling is still rising.

We cannot too strongly recommend an all-out sales program to

**DANIEL W. HOGAN, JR.**

*The author is president of the City National Bank & Trust Company, Oklahoma City, and vice-president of the A.B.A. Savings and Mortgage Division.*

every bank in the nation. We cannot too strongly impress on the individual banker just how vital

salesmanship is to his bank. We are presently in a buyer's market—and competition is always keener in a buyer's market. So it takes a never-ending sales campaign to explain the services of our financial department stores and to sell the public on trying them. It takes salesmanship to win friends and influence people; it takes salesmanship to entice the customer to turn in at the front door of a store; it takes salesmanship to get the story of banking over to the public; to sell the free enterprise system; to clarify the benefits of chartered banking.

Today, the well-managed bank is a sales-conscious bank. It is simply a matter of over-all policy. Sales mindedness must be a dominant, thoroughly coordinated policy of the bank, a policy that touches everyone and everything, everywhere. Salesmanship is not just the job of the public relations officer; on the contrary, it's the job of the entire staff.

The smart banker makes use of every occasion that is the least bit outside his regular routine of advertising, selling, and promoting. He sees it as an opportunity to sell his bank to the public in a warm, personal, appealing way.

## Grasp All Opportunities

These extraspecial, nonroutine gimmicks seem to fall into two distinct categories. The first comprises the once-in-a-blue-moon opportunities, such as anniversaries, opening of new buildings and drive-ins, local celebration tie-ins, or unusual equipment. In the second category are the more or less annual projects, such as new business contests, women's forums, Know-Your-Bank-Week, club bankday, school tours, and awarding service pins. Any or all of these are suitable occasions for letting your imagination run riot—a chance to be a respectable screwball!

The millions of new automobiles sold during 1955 focus attention on a serious problem: the formidable traffic dilemma. The opening of a "drive-in" is a natural for a special promotion gimmick. For instance, there might be a parade of

(CONTINUED ON PAGE 147)



## CONDENSED STATEMENT OF CONDITION, JUNE 30, 1956

### ASSETS

Cash on Hand and in Banks . . . . .	\$ 206,767,365.62
United States Government Securities . . . . .	399,716,127.21
State, Municipal and Other Securities, including Stock of the Federal Reserve Bank . . . . .	117,221,661.57
Loans and Discounts . . . . .	699,856,161.45
Bank Premises . . . . .	3,053,222.21
Other Real Estate . . . . .	1.00
Other Assets . . . . .	6,658,543.89
	<b>\$1,433,273,082.95</b>

### LIABILITIES

Capital Stock . . . . .	\$ 17,500,000.00
Surplus . . . . .	57,500,000.00
Undivided Profits . . . . .	13,582,674.45
	<b>Capital Funds \$ 88,582,674.45</b>

### DEPOSITS

Commercial and Savings . . . . .	\$ 1,297,359,367.20
Estates and Corporate Trust . . . . .	34,926,548.58
Accrued Taxes, Interest, etc. . . . .	8,109,598.89
Other Liabilities . . . . .	4,294,598.83
	<b>\$1,433,273,082.95</b>

United States Government Securities carried at \$123,998,634.40 are pledged to secure U. S. Government Deposits and other Public Funds and for other purposes as required or permitted by law.

Assets are shown NET after deducting Valuation Reserves.

Ohio's Largest Bank  
welcomes individuals and corporations  
seeking new or additional banking services.

**63 CONVENIENT OFFICES**  
Northern Ohio:  
Painesville • Willoughby • Bedford • Solon  
Lorain and  
Everywhere in Greater Cleveland  
**COMMERCIAL • SAVINGS • TRUSTS**

Largest branch banking system between New York and California

737,369 SAVINGS AND CHECKING DEPOSITORS

Member: Federal Deposit Insurance Corporation

Federal Reserve System



# National Home Mortgages

## ARE SOUND LONG-TERM INVESTMENTS

National homes like that shown above are a great asset to better community planning. They offer true individuality and yet are harmonious with others in the area.

This means greater popularity . . . greater **saleability** of National homes. And it also means

continuing satisfaction of the home owner . . . protection of property values. These are among the reasons why more than 600 banks, insurance companies, building and loan associations and other lending institutions—among them the largest in the country—invest in National home mortgages.

**NATIONAL HOMES CORPORATION**

LAFAYETTE, INDIANA HORSEHEADS, N.Y. TYLER, TEXAS

**ONE OUT OF EVERY 48 HOMES BEING BUILT  
IN AMERICA TODAY IS PRODUCED BY...**

COPYRIGHT 1956, NHCO



# IRVING TRUST COMPANY

NEW YORK

## STATEMENT OF CONDITION, JUNE 30, 1956

### ASSETS

Cash and Due from Banks . . . . .	\$ 437,145,535
<b>Securities:</b>	
U. S. Government Securities . . . . .	347,009,250
Securities Issued or Underwritten by U. S. Government Agencies . . . . .	38,996,511
Stock in Federal Reserve Bank . . . . .	3,150,000
Other Securities . . . . .	4,530,098
	<u>393,685,859</u>
<b>Loans:</b>	
Loans Guaranteed or Insured by U. S. Government or its Agencies . . . . .	59,993,998
Loans Secured by U. S. Government Securities . . . . .	10,334,042
Other Loans . . . . .	<u>696,318,871</u>
	<u>766,646,911</u>
<b>Mortgages:</b>	
U. S. Government Insured F.H.A. Mortgages . . . . .	20,859,135
Conventional First Mortgages on Real Estate . . . . .	<u>1,921,136</u>
	<u>22,780,271</u>
Banking Houses . . . . .	16,735,355
Customers' Liability for Acceptances Outstanding . . . . .	33,610,925
Accrued Interest and Other Assets . . . . .	<u>5,905,379</u>
Total Assets . . . . .	<u>\$1,676,510,235</u>

### LIABILITIES

Deposits . . . . .	\$1,492,755,232
Taxes and Other Expenses . . . . .	11,350,305
Dividend Payable July 2, 1956 . . . . .	2,000,000
Acceptances: Less Amount in Portfolio . . . . .	36,037,445
Other Liabilities . . . . .	<u>6,356,331</u>
Total Liabilities . . . . .	<u>1,548,499,313</u>

### CAPITAL ACCOUNTS

Capital Stock (5,000,000 shares—\$10 par)	50,000,000
Surplus . . . . .	55,000,000
Undivided Profits . . . . .	23,010,922
Total Capital Accounts . . . . .	<u>128,010,922</u>
Total Liabilities and Capital Accounts . . . . .	<u>\$1,676,510,235</u>

U. S. Government Securities pledged to secure deposits of public monies and for other purposes required by law amounted to \$89,430,634.

### DIRECTORS

WILLIAM N. ENSTROM  
*Chairman of the Board*

RICHARD H. WEST  
*President*

HENRY P. BRISTOL  
*Chairman, Bristol-Myers Company*

THOMAS C. FOGARTY  
*President, Continental Can Company, Inc.*

I. J. HARVEY, JR.  
*President, The Flintkote Company*

DAVID L. LUKE, JR.  
*President, West Virginia Pulp and Paper Company*

J. R. MACDONALD  
*Chairman and President, General Cable Corporation*

MINOT K. MILLIKEN  
*Vice President and Treasurer, Deering, Milliken & Co., Inc.*

DON G. MITCHELL  
*Chairman, Sylvania Electric Products Inc.*

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*President, Otis Elevator Company*

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DONALD C. POWER  
*President, General Telephone Corporation*

RAYMOND H. REISS  
*President, Reiss Manufacturing Corporation*

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*Former Chairman of the Board and Chief Executive Officer, United States Rubber Company*

E. E. STEWART  
*President, National Dairy Products Corporation*

WILLIAM J. WARDALL  
*New York, N.Y.*

FRANCIS L. WHITMARSH  
*President, Francis H. Leggett & Company*

(CONTINUED FROM PAGE 144)

Model T cars with drivers dressed in goggles and linen dusters; or perhaps an antiquated electric, an antique fire engine, or an old Lincoln might be on display. A Pierce Arrow, a Stutz Bearcat, a Stanley Steamer, a one-cylinder Cadillac—all have possibilities. Why not lift a half-pint foreign car up to the drive-in window, so that the driver can make his deposit? Try anything, within reason, to capture the public's attention for a few moments. The cornier, the better.

A 50th anniversary does not come up every year, but when it does, this is the chance to go whole hog. Institutional advertising is generally not too satisfactory, but here's one place where it can be put to work glamorizing the bank in a big way. The celebration should last a full week, during which time all advertising guns should be loaded and fired frequently. Wake the town and tell the people the bank's been around for 50 years.

#### An Anniversary "Must"

An anniversary brochure—sumptuous or otherwise—is a "must." It might be called *We Grew Together*, and include pictures of old customers. Then there are give-aways for all ages, such as flowers, balloons, pens and pencils, rulers, and book matches.

Balloons—carrying instructions to the finder to bring the balloon to the bank and thereby claim a dollar—can be released. Car dealers might be invited to display their wares in an adjoining parking lot. Or, why not display a million dollars in your new bank lobby, featuring some large bills? Pot holders and cigars make good give-aways for this kind of occasion. Giving 25 cents to the Red Cross for each person who registers in the bank's guest book is always well received. A contest to guess how much money is in the plexiglass model of the new building is a popular stunt.

A student tour of the bank, if planned with care and conducted with imagination, can be the open sesame to winning the friendship, confidence, and future business of tomorrow's citizens.

Know-Your-Bank Week is a glorified open-house when banks in a certain area open their doors and in-

vite the whole town into the inner sanctum to observe banking in action. This is on-the-spot selling at its very best! It can be simple or elaborate, with a coordinated promotion campaign using all available media. Displays featuring community products, arts and crafts, hobbies, or caricatures go over well.

"Bank Day at Your Club" is a new device for getting the story of banking over to the public. It is off-the-premises selling of the banking business to club members. Clubs are always looking for a speaker with

a message, so it is not too hard to get a 1-day stand for a bank officer who knows his material and can present it well. When he is on the program, make it a gala day; bring in a group of banker guests and invite some of the town's officials.

Special events are kaleidoscopic opportunities in which to make the bank sparkle, inside and out. Main Street and America, with their trappings and goings-on, can be brought into the bank lobby. There's no limit whatsoever to the range of these opportunities.



### STATEMENT OF CONDITION

#### As at the Close of Business

June 30, 1956

RESOURCES	
Cash and Due from Banks.....	\$ 36,594,948.24
U. S. Government Securities.....	14,039,054.98
State and Municipal Securities.....	12,030,537.18
Other Securities.....	2,172,014.82
Federal Reserve Bank Stock.....	465,900.00
Loans Guaranteed or Insured by the U. S. Government or Its Agencies.....	22,659,824.41
Other Loans and Discounts.....	77,871,515.90
Interest Accrued Receivable.....	816,159.37
Bank Premises and Equipment.....	3,461,876.38
Investments Indirectly Representing Bank Premises.....	4,715,000.00
Other Real Estate.....	55,938.62
Other Resources.....	495,184.13
<b>TOTAL RESOURCES</b> .....	<b>\$205,397,784.31</b>

LIABILITIES	
Deposits:	
Demand.....	\$137,926,056.06
Time.....	46,990,600.58
	<b>\$184,916,656.62</b>
Reserves—Taxes and Interest.....	698,752.36
Reserve for Possible Loan Losses.....	302,497.87
Unearned Discount.....	1,443,834.08
Other Liabilities.....	158,388.55
Capital Stock.....	\$ 8,430,000.00
Surplus.....	7,100,000.00
Undivided Profits.....	2,347,636.83
	<b>17,877,636.83</b>
<b>TOTAL LIABILITIES</b> .....	<b>\$205,397,764.31</b>

Member Federal Deposit Insurance Corporation



August 1956

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# Washington

(CONTINUED FROM PAGE 39)

to hold down, at least once, on the annual Congressional disposition to liberalize the terms of Government-sponsored housing credit along many fronts.

Earlier in the year the Eisenhower Administration proposed special programs of housing insurance for the elderly, a permanent military housing title, continuance on more liberal terms of FHA home modernization and repair loans, and a limited public housing program of 35,000 units for each of two years.

Subsequently the Senate Banking Committee reported out, and the Senate passed, a program going many steps farther than the Administration proposed in the way of more insured loans for less down and generally for longer maturities. Among other things, the Senate voted 135,000 units per year for public housing, subject to upward and downward variations permitted to counter the economic cycle. The Senate, however, did not make per-

manent military housing under FHA or Title I.

In due course the House Banking Committee reported out a broadly liberalized bill, also going, but in different ways, far beyond the recommendations of the Administration, while proposing only 50,000 units of public housing a year.

## Title I Changes

A detail of both bills is particularly pertinent to banks. The Senate and House committee bills would both go along with enlarging the maximum Title I loan to \$3,500 from the present limit of \$2,500 and both would permit a maximum time of five years under this title, versus three years under present law.

Under the House committee bill the FHA Title I discount, now 5%, would be 4% on amounts over \$1,500. The Senate bill would provide a 4% discount on loans beyond \$2,500.

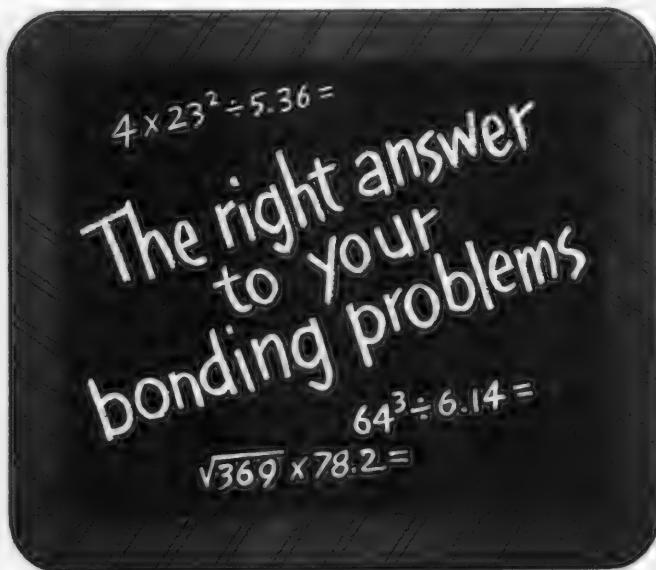
Among other things, the House bill would permit the Federal National Mortgage Association to give advance commitments in connection with its secondary market operations; would liberalize cooperative

credit, rental housing loan ratios; abolish the differentials between the amounts which could be loaned on new and used housing under Sec. 203, and increase by a quarter million dollars to \$750,000,000 the sums which could be loaned for college housing. The House bill provides new power for the Small Business Administration to lend to small businesses "under liberal credit standards," to enable them to relocate from depressed or declining economic areas.

## Rules Committee Opposes

After the Senate had passed its broad expansion and liberalization of Government-sponsored credit for housing, and after the House committee had approved its variation of the same objectives, the Rules Committee met and voted to table or kill a rule which would permit the House to take up the House Banking Committee's version of such legislation.

If the matter ends there, there would be no broad new housing legislation enacted this year. Title I, home modernization loan authority, as well as Title VIII, military hous-



Take advantage of our "know how" gained by many years of experience in solving fidelity problems. National Surety Fidelity Bonds are available nationwide through a network of top insurance agents and brokers.

A MEMBER OF *Fireman's Fund* INSURANCE GROUP

Fireman's Fund Insurance Company • Fireman's Fund Indemnity Company  
Home Fire & Marine Insurance Company • National Surety Corporation

Central Bonding Offices: 401 CALIFORNIA STREET, SAN FRANCISCO • 4 ALBANY STREET, NEW YORK  
Branch Offices in Principal Cities Throughout America

ing authority, expire September 30, 1956. Without legislation extending those titles, they will come to a stop on new insurance after that time.

There were, however, moves under way to try to persuade the Senate to extend these two titles, and provide other and relatively minor housing legislation. The Rules Committee was disposed to such a limited housing legislative enterprise, while being opposed to the broad bills proposed by the Senate and the House Banking Committees, or the relatively less broad bill proposed by the Eisenhower Administration.

It was not possible at writing, of course, to ascertain what possibilities there would be for compromise on either a "broad" or a more restricted bill.

#### Last Year's Dispute

In 1955 there was an entirely similar dispute between the conservatives of the House Rules Committee and the "liberals" who favored the broader legislation which turned out to be the Housing Act of 1955.

Near the end of the session last year, also, the Senate had passed a broad bill and such was proposed by House "liberals." The Rules Committee majority was then, also, adamant against such broad liberalizations.

When a stalemate appeared, Rep. Jesse P. Wolcott (R., Mich.), the

ranking Republican on the House Banking Committee, proposed a "bare bones" bill, meaning an extension only of necessary, then-ex-

isting FHA authority. When the bill thus permitted out of the Rules Committee went into conference, the  
(CONTINUED ON PAGE 151)

## Antitrust Laws Apply Abroad, Too

**T**HE Chicago Daily Tribune is extremely critical of the Justice Department's demand that the United Fruit Company assent to extensive divestiture of its Central American banana lands. An editorial observes that the Washington trust busters are merely trying to finish a job that the Guatemalan communists started a few years ago. In sending us that editorial, a disturbed correspondent deplores the intention of the Justice Department to apply the antitrust laws to U.S. corporations in their operations abroad, even though they may be competing with foreign corporations not so hampered.

Although this situation impresses some businessmen as very unjust, the fact is that the U.S. antitrust laws are not restricted to domestic business, but apply to our international commerce and have done so for more than 65 years. Not only the Sherman Act of 1890 but various subsequent acts contain antitrust provisions related to our foreign trade. The law, said an Assistant Attorney General in 1954, is concerned with the effect of restrictive practices on (a) the availability of goods for which we are dependent on imports; (b) trade and investment opportunities for U.S. business abroad; and (c) the general growth of our international trade. We are moreover especially concerned with the extent to which American business may be brought under the control of international cartels.

Perhaps the commonest type of international trade restraint is the interchange of technology coupled with the allocation of marketing territories. Such was the arrangement between DuPont and Imperial Chemical Industries, Ltd., dating from the 1920s, which was upset by the Federal District Court in New York. Over the years numerous antitrust cases with international aspects have come before the courts, among them—to mention but a few—National Lead, Timken, Alcoa, General Electric, Minnesota Mining and Manufacturing, and the oil cartel. The 1955 report of the Attorney General's National Committee to Study the Antitrust Laws contains a long discussion of the subject. While recognizing possible conflicts between the agencies entrusted with antitrust law administration and other Government agencies concerned with foreign trade, the committee focused on clarifying the applicable criteria that should be used.

**T**HE committee felt that the Sherman Act applies to only those activities of American business abroad as constitute unreasonable restraints on our foreign trade. Sound judicial discretion requires, it added, protecting any defendant from being caught between the jaws of any judgment and the law abroad where it does business. The committee rejected the interpretation that the Sherman Act phrase "trade and commerce . . . with foreign nations" refers only to our product trade and ancillary services, and held that it should apply as broadly in foreign as in domestic commerce. In other words, the phrase embraces investment and financing, patents, trademarks, know-how, and the like.

Restrictions the Sherman Act imposes are predicated upon the "essential standard of reasonableness" in foreign as in domestic trade. "Thus," continues the committee, "the inquiry revealed by the Rule of Reason may in some foreign commerce cases involve consideration of market factors not operative in domestic commerce. . . . The possibility of such differences should be recognized by the Department of Justice and the Federal Trade Commission as well as the courts."

Those directly interested in the subject are referred to the committee's report for discussion of patents and trademarks in foreign trade, foreign subsidiaries and joint activities in manufacturing and distribution abroad. There is also a lengthy discussion of antitrust policy as affecting and affected by other U.S. official programs in the fields of national security, trade promotion, and foreign relations.

The report is illuminating. But anyone who is looking for the "last word" on this subject will have to keep on looking.

HERBERT BRATTER

"Better hurry, we'll be late for quitting time!"





# THE CHASE MANHATTAN BANK

**Statement of Condition, June 30, 1956**

## RESOURCES

Cash and Due from Banks . . . . .	\$1,772,528,414
U. S. Government Obligations . . . . .	1,174,933,693
State, Municipal and Other Securities . . . . .	454,636,043
Mortgages . . . . .	191,477,596
Loans . . . . .	3,551,787,650
Accrued Interest Receivable . . . . .	17,812,157
Customers' Acceptance Liability . . . . .	121,678,116
Banking Houses . . . . .	44,386,682
Other Assets . . . . .	19,028,088
	<b><u>\$7,348,268,439</u></b>

## LIABILITIES

Deposits . . . . .	\$6,573,504,874
Foreign Funds Borrowed . . . . .	11,978,035
Reserve for Taxes . . . . .	35,579,455
Other Liabilities . . . . .	63,652,684
Acceptances Outstanding . . .	\$134,211,026
<i>Less: In Portfolio</i> . . . . .	<u>8,530,938</u>
General Reserve for Securities . . . . .	125,680,088
Capital Funds:	
Capital Stock . . . . .	\$150,000,000
(12,000,000 Shares—\$12.50 Par)	
Surplus . . . . .	300,000,000
Undivided Profits . . . . .	<u>81,115,182</u>
	<b><u>531,115,182</u></b>
	<b><u>\$7,348,268,439</u></b>

Of the above assets \$484,185,775 are pledged to secure public deposits and for other purposes, and certain of the deposits are preferred as provided by law.

Member Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 149)

conferees accepted most of the Senate's broader bill.

That was why this time the stalemate appeared a little more durable and the possibility of little or no legislation greater. Only a capitulation by one side or the other would clear a fairly broad bill or possibly even clear an extension of the life of Titles I and VIII.

### Social Security

#### "Pay Up Time" Approaches

Trustees of the Federal Old Age Insurance and Survivors System indicated in their report for the fiscal year 1955 that "pay up time" for that system is not many years off. Heretofore this system has been a handsome producer of cash surplus for the Treasury.

In 1954 Congress broadened the coverage of Social Security to 10,000,000 more persons, bringing the number covered to 68,000,000. However, the fiscal effect was to put 10,000,000 persons on the taxpaying rolls. Their entitlement to pensions would come in later years.

Furthermore, in 1954 Congress also raised the taxable base to \$4,200 of wages from the previous \$3,600. Notwithstanding these moves on the revenue side, in fiscal 1955 revenues increased by only 10%. Outpayments, on the other hand, rose by 32%. This relatively poor showing is partially accounted for by the fact that the new taxpayers brought in contributions for only the first six months of fiscal 1955.

On the other hand, not only in the 1954 act but in previous years, Congress has tended to liberalize benefits ahead of receipts. This was the clear inference of the report of the trustees of the OASI fund. The current trustees are the Secretaries of the Treasury, Welfare, and Labor. These officials report annually to the Congress on the status of the trust fund.

#### Surplus \$651,000,000

In fiscal 1955 outpayments for pensions aggregated \$4,333-million, to which was added \$103,000,000 for administrative expenses. The collections of the fund were only \$651,000,000 more than the disbursements and expenses.

However, "interest" was credited to the OASI fund in the sum of \$448,000,000. At this stage, how-

ever, interest is factually only a bookkeeping entry, and not a disbursement. It is added to the actual surplus of \$651,000,000 of receipts to build up the debt the Treasury owes to the OASI trust fund.

Inferentially, the trustees indicated that even counting the general taxpayer's contribution of interest, tax collections and interest will only be guaranteed to take care of current outpayments for five more years.

#### Current for 5 Years

"It is estimated that the aggre-

gate income from contributions and interest on investments of the trust fund during the 5-year period immediately ahead will be wholly sufficient to meet aggregate disbursements of the old age-insurance and survivors insurance program during this period," the trustees formally stated.

(It should be noted in this connection that Congress passed legislation making persons disabled for work eligible to pensions from age 50 on, instead of at age 65, and that it lowered the pension age for women to age 62.)



STATEMENT OF CONDITION AT CLOSE OF BUSINESS  
JUNE 30, 1956

#### RESOURCES

CASH AND DUE FROM BANKS.....	\$ 82,962,721.93
UNITED STATES GOVERNMENT SECURITIES.....	55,876,593.50
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS.....	13,008,483.57
OTHER BONDS, NOTES AND DEBENTURES.....	1,243,604.20
STOCK FEDERAL RESERVE BANK.....	510,000.00
LOANS AND DISCOUNTS .....	120,176,619.87
INCOME EARNED—UNCOLLECTED .....	699,586.43
BANKING HOUSE AND GARAGE PROPERTY.....	3,812,000.00
FURNITURE AND FIXTURES .....	1.00
OTHER REAL ESTATE .....	1.00
CUSTOMERS' LIABILITY—ACCEPTANCES OUTSTANDING.....	59,950.00
CUSTOMERS' LIABILITY—LETTERS OF CREDIT.....	1,240,364.00
OTHER RESOURCES .....	38,717.85
TOTAL .....	\$279,628,643.35

#### LIABILITIES

##### CAPITAL ACCOUNTS:

COMMON STOCK .....	\$ 8,500,000.00
SURPLUS .....	8,500,000.00
UNDIVIDED PROFITS .....	1,894,352.02
RESERVE FOR CONTINGENCIES .....	\$ 18,894,352.02
RESERVE—AMORTIZATION OF BOND PREMIUMS.....	2,308,276.19
RESERVE—TAXES, INTEREST, EXPENSE, ETC.....	275,853.89
ACCEPTANCES EXECUTED BY THIS BANK.....	1,295,758.62
LETTERS OF CREDIT ISSUED.....	59,950.00
INCOME COLLECTED—UNEARNED .....	1,240,364.00
DEPOSITS:	
INDIVIDUAL .....	\$176,964,665.01
BANK .....	53,450,091.54
U. S. GOVERNMENT .....	6,079,703.92
OTHER PUBLIC FUNDS .....	17,825,591.18
TOTAL .....	254,320,051.65
	\$279,628,643.35

U. S. Government and other securities carried at \$40,940,035.57 in the above statement are deposited to secure public funds and for other purposes required or permitted by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



*...reduce  
operating  
costs with  
Le Febure  
POST-TO-CHECK Plan*



**• FAST!**

Drastically reduces the number of operations and record handling.

**• ACCURATE!**

Posting errors are reduced, and charges to the wrong account are virtually eliminated.

**• CUSTOMER APPROVED!**

Banks using this system report customer approval of the plan and the services which it renders.

**• SIMPLE!**

Easier for bookkeepers and others involved to understand and use.

**• PROFITABLE!**

Savings in space and personnel result in a profitable operation for Post-To-Check usage.

**Le Febure**  
CORPORATION  
CEDAR RAPIDS, IOWA

Please send complete Post-To-Check information to:

NAME \_\_\_\_\_

BANK NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_

1 TRAINED REPRESENTATIVES  
IN MOST PRINCIPAL CITIES

### Draw on Fund

The infernal situation brought out by the trustees of the OASI fund is that the general taxpayer after five years will have to meet social security deficits not only by paying current interest on the trust fund, but by redeeming the bonds in that fund, representing funds which have already been spent by the Government.

In order better to protect the fund, the trustees recommended that Congress (1) appropriate a contribution representing the credit of former military personnel for benefits during the years they were in service; and (2) credit the OASI fund with interest on Treasury bonds of more than five years maturity instead of the present system of the average rate paid by the Treasury on all its obligations, both long and short.

### Treasury Operations Bills Cleared

Congress cleared two important

bills necessary to Treasury operations.

One continued the authority of the Treasury to borrow directly from Federal Reserve banks for short and temporary periods, up to a maximum of \$5-billion. Such loans are used around tax and financing dates to avoid undue monetary stringency.

A second Treasury bill for one year boosts by \$3-billion the Government's borrowing authority, now \$275-billion on a permanent basis.

For the past two years Congress has provided each year, for one year only, a temporary higher debt ceiling of \$6-billion. The smaller 1-year debt boost was made possible because of the prospect of high, boom-inspired tax revenues.

### Budget Control Advanced

A tentative step looking toward vesting both Congress and the Administration with an important power to control, and hence curb, Federal spending was taken when

### HAVE YOU SEEN . . .

(1) A single volume which includes most of the pro and con arguments for both the Fulbright and Celler antibank merger bills. Send to the Senate Banking Committee, Senate Office Building, Washington, D. C., for the subcommittee hearings of June 12 and 18, 1956, on S.3911, "Regulation of Bank Mergers."

(2) (A) Rounded picture of pending housing legislation. To see what the Administration proposed, send to the Housing and Home Finance Administrator, Washington 25, D. C., for a copy of the "Brief Summary, Housing Amendments of 1956." (B) The bill passed by the Senate was largely as it was reported out of the Senate Banking and Currency Committee, Senate Office Building, Washington, D. C. Send for this committee's report on "Housing Amendments of 1956." (C) For the House Banking and Currency Committee version, send to that committee, New House Office Bldg., Washington, D. C., for a copy of the report, "Housing Act of 1956," or House Report No. 2363.

(3) The story of how outpayments under the Old Age Insurance and Survivors program are fast catching up with payroll tax receipts for Social Security. See "Federal Old Age and Survivors Insurance Trust Fund," a letter from the Fund's Board of Trustees, being Senate Document No. 119, 84th Congress, 2nd Session. Write to your Congressman for a copy.

(4) The details of the program for Federal aid to depressed areas, as proposed by the House Banking and Currency Committee, New House Office Building, Washington, D. C. Write to that committee for its "Summary of HR 11811 (Area Redevelopment Act.)"

(5) The details of the Federal school aid bill rejected and killed for this year by the House, but which in one form or another probably will be put forth again. Write to the House Committee on Education and Labor, House Office Building, Washington, D. C., for a copy of "Federal Assistance to States for School Construction," being House Report No. 1504, 84th Congress, 1st Session.

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the Senate adopted a proposal sponsored by the second Hoover Commission and specifically endorsed by President Eisenhower. This was the bill providing for Government use of the accrual method of accounting for its expenditures. Final enactment of the plan this year was in some doubt.

In brief, the problem involved is this: At present Congress in the case of many of its appropriations, particularly those for larger projects like procurement of aircraft or ships, appropriates money for their purchase and the appropriation remains available until spent, often over a period of several years.

Under this system, as Senator Harry F. Byrd (D., Va.) explained, in the first six of the past nine fiscal years Congress appropriated more money than the Federal Government spent in those years. As a consequence, assuming Congress appropriates what the White House asks for, total unspent and new appropriations at the beginning of fiscal 1957 would amount to \$140.9-billion. The President estimated last January that expenditures during that year would amount to only \$65.9-billion.

With such a system, it was explained, Congress in any one year can do little to control the actual amount disbursed in the year. That is because with large unspent appropriations, the amount appropriated in any one year bears only a casual relationship to the amount which

actually will be spent in that year.

Even the Budget document does not control spending. It is freely admitted by officials to be only an estimate, or more accurately an informed guess, as to the amount which will be spent in the year.

#### New System

Under the new system the Budget would provide figures on exactly how much the Administration thought could or should be spent for any given objective. Congress would then appropriate that amount or

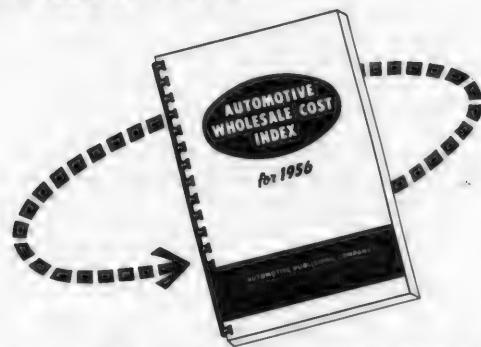
less. Whatever Congress appropriated would be the maximum amount which could be spent.

This thus aims to relate the amount appropriated as closely as possible to the amount which in fact would be spent.

A special advantage of this mechanism is that if Congress for reasons of economy, or in order to attempt to balance the budget, were to order that less money should be spent than was proposed, it could appropriate less and this lesser

(CONTINUED ON PAGE 155)

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YES, the AUTOMOTIVE WHOLESALE COST INDEX will give you the actual wholesale cost figures you should have in order to base sound wholesale and retail advances on NEW automobiles.

It is a complete, comprehensive and authoritative reference guide covering all models of the domestic makes, embracing all accessories and equipment as well.

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COMPANY.....

ADDRESS.....

CITY..... STATE.....

B-1 ( ) BILL ME ( ) BILL COMPANY

"What's the idea, sending me this over-drawn notice?"



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AND  
PIN TO  
YOUR  
LETTER-  
HEAD  
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Carriage takes forms up to 11 $\frac{1}{8}$ " wide. Carriage tabulates automatically, if desired. Stops are easily adjustable.

**Short-cut operation**  
Amounts may be indexed and motor bar depressed at same time. Minus Bar makes direct subtraction as easy as addition.

**3-way register selection**  
—thanks to exclusive Shuttlemaster. (1) Manual. (2) Simultaneous figuring in two registers. (3) Automatic, alternate selection.

**Two listing jobs at once**  
Lever splits keyboard. Machine can list descriptive numbers beside amounts, list 2 separate amounts simultaneously, or use full 13-column capacity.



It's so much more than just an adding machine. It adds, subtracts, multiplies and—on many figuring jobs—serves as a bookkeeping machine. Does almost everything: teller batch proof, old and new balance proof, trial balances, daily statements, mortgage loan notices . . . yes, listing jobs, form jobs—or you name it! It's simple in function; simple in operation. Lightning quick. Cushion quiet. Compact. Ever so durable. Want to sample on your own bank jobs? Just phone our local branch. Burroughs Corporation, Detroit 32, Michigan.

### Burroughs Director 400

ADDING MACHINE



"Burroughs" Reg. TM.

(CONTINUED FROM PAGE 153)

amount would limit spending. With large unexpended balances of appropriations from prior years, Congress cannot control year by year, each year, the rate of spending.

#### Effect Delayed

However, this control, even if the House were also to pass the bill, would not be effective for several years, or until the backlog of past unspent balances were worked off. There appeared to be no intention to go back and recapture or cancel the unexpended balances of past appropriations.

This mechanism would, its backers believe, be of enormous help if the Congress were in a mood to economize. Even with such a mood, overhanging appropriations could frustrate such an intention.

On the other hand, this mechanism by itself does not directly jeopardize a single subsidy or objective of expenditure. And the mood of both the Congress and the Administration at present is to expand, rather than curtail, the financial undertakings of the Federal Government.

#### Skips Contingent Liabilities

This new mechanism is aimed primarily at eliminating accumulating balances of old appropriations. As set up, however, it does not affect long-term commitments in statutes which make implicit future appropriations mandatory upon Congress to provide in future years under these long-term commitments.

These contingent responsibilities are rather great in magnitude. They are in contractual or moral form respecting numerous kinds of housing loans and subsidies, farm loans, and the process is being launched this year for the construction of public buildings.

An illustration will show this. Public housing is in law undertaken by a municipal "housing authority," whose operations are closely guided by the Public Housing Administration.

When a local housing authority sets up a housing project agreed to by PHA, the latter enters into a written contract binding the Federal Government for 40 years to pay to the local housing authority rental subsidies annually in an amount to equal the service of the loans the

housing authority borrows to put up the housing.

This contract puts the "full faith and credit" of the United States behind these annual subsidy payments. Hence the Administration enters into a contractual agreement binding future Congresses to appropriate these annual contributions for 40 years. If any future Congress repudiated them the Federal Government would be in the position of repudiating its faith and credit just as if it refused to repay a ma-

turing Government security.

Military housing is conducted under a similar arrangement but through FHA.

*The problem of governments in South America is to keep an ambitious sergeant from starting a revolution in order to become a general.*

If the Russians claim Baron Munchhausen was a Russian, we think they may be right.

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Yes—it's the talk of saving centers throughout the country and justly so, since the UMBRELLA BANK has almost immediately proved to be the kind that the public WANTS...KEEPS...and USES! Put new life into your savings promotions with the UMBRELLA BANK...it's a hard-to-resist invitation to SAVE! Exceptionally low-priced...send for sample and prices NOW!

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108 Old Broad St.

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Board of Trade Bldg. 141 West Jackson Blvd. Chicago 4, Ill. HA 7-7130

### Bank Matches Gifts to Colleges by Its Staff Members

THE Bank of New York has adopted a program for giving regular and continuing financial aid to higher education on the basis of matching contributions by members of its staff.

In announcing the plan, President Albert C. Simmonds, Jr., noted that "in taking this action it is the desire of our bank to do its part in meeting a broad social obligation which rests on corporate enterprise in general to assist colleges and universities to carry on effectively in the face of serious financial difficulties."

An unusual feature of the plan is that the bank will complement an employee's gift even if the employee did not attend the donee institution.

The maximum amount the bank will contribute in any one year to complement the gift of any individual employee is \$1,000. If the individual contributor did not attend the particular college for at least one year, the bank's complementing gift is 30%. If the contributor was a student for a year or more, the bank matches the employee's contribution by 100%.

*No one has a touch that thrills you like a dentist.*

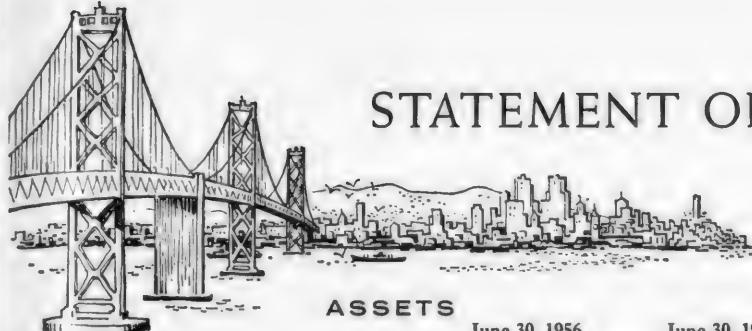
When it comes to solving your problems, perspiration is the best solvent of all.

*It's not always easy to get the rising generation up in the morning.*

A statistician claims that the handshaking in this year's election would milk all the cows in the United States for four months.

*With 50,000,000 automobiles there is no such thing any more as the man-in-the-street.*

Our hero is the person who moves that the minutes of the last meeting be accepted without reading them.



# STATEMENT OF CONDITION

		ASSETS	June 30, 1956	June 30, 1955*
<b>CASH AND SECURITIES</b>				
Cash and Due from Banks . . . . .	\$ 260,231,087.75	\$ 245,016,565.30		
United States Government Securities . . . . .	363,112,783.23	455,324,316.58		
State and Municipal Securities . . . . .	83,993,304.78	77,565,154.90		
Other Bonds and Securities . . . . .	16,798,761.46	20,601,003.57		
<b>TOTAL</b> . . . . .	<b>\$ 724,135,937.22</b>	<b>\$ 798,507,040.35</b>		
<b>LOANS</b>				
Commercial Loans . . . . .	\$ 311,211,220.62	\$ 247,519,737.00		
Real Estate Loans . . . . .	242,786,124.77	201,590,271.13		
Automobile Installment Loans . . . . .	95,079,348.49	84,750,179.02		
Personal and Improvement Loans . . . . .	48,762,080.05	38,578,205.26		
	\$ 697,838,773.93	\$ 572,438,392.41		
Less: Reserve for Possible Loan Losses . . . . .	8,440,860.37	6,459,215.50		
<b>TOTAL</b> . . . . .	<b>\$ 689,397,913.56</b>	<b>\$ 565,979,176.91</b>		
<b>OTHER ASSETS</b>				
Accrued Income Receivable . . . . .	\$ 4,962,818.73	\$ 5,084,109.25		
Stock in Federal Reserve Bank . . . . .	2,430,000.00	2,400,000.00		
Bank Premises and Equipment . . . . .	15,830,621.58	13,785,506.06		
Other Real Estate Owned . . . . .	12,604.00	57,281.30		
Customers' Liability under Letters of Credit and Acceptances . . . . .	13,991,878.00	13,366,610.78		
Other Assets . . . . .	1,419,732.95	2,218,747.45		
<b>TOTAL</b> . . . . .	<b>\$ 38,647,655.26</b>	<b>\$ 36,912,254.84</b>		
<b>TOTAL ASSETS</b> . . . . .	<b>\$ 1,452,181,506.04</b>	<b>\$ 1,401,398,472.10</b>		
<b>DEPOSITS</b>				
Demand Deposits . . . . .	\$ 685,256,819.09	\$ 657,168,619.30		
Time Deposits . . . . .	490,698,124.47	474,956,365.16		
United States Government Deposits . . . . .	40,835,492.15	36,907,154.81		
Other Public Deposits . . . . .	102,113,090.84	108,460,812.90		
<b>TOTAL</b> . . . . .	<b>\$ 1,318,903,526.55</b>	<b>\$ 1,277,492,952.17</b>		
<b>OTHER LIABILITIES</b>				
Dividends Payable . . . . .	\$ 1,160,100.00	\$ 1,908,750.00		
Income Collected in Advance . . . . .	10,862,767.99	8,389,961.06		
Letters of Credit and Acceptances . . . . .	13,991,878.00	13,366,610.78		
Accrued Interest, Taxes, Other Expense . . . . .	6,820,492.11	5,936,527.52		
<b>TOTAL</b> . . . . .	<b>\$ 32,835,238.10</b>	<b>\$ 29,601,849.36</b>		
<b>CAPITAL ACCOUNTS</b>				
Capital Stock . . . . .	\$ 39,333,000.00	\$ 34,593,750.00		
Surplus . . . . .	41,667,000.00	45,406,250.00		
Undivided Profits . . . . .	19,442,741.39	10,937,424.62		
Unallocated Reserves . . . . .	—0—	3,366,245.95		
<b>TOTAL</b> . . . . .	<b>\$ 100,442,741.39</b>	<b>\$ 94,303,670.57</b>		
<b>TOTAL LIABILITIES</b> . . . . .	<b>\$ 1,452,181,506.04</b>	<b>\$ 1,401,398,472.10</b>		

On June 30, 1956, securities carried at \$229,132,538.30 were pledged to secure trust deposits, United States Government and other public deposits, as required by law. On June 30, 1955, securities so pledged amounted to \$218,384,915.73.

\*June 30, 1955 figures represent a consolidation of the statements of the Crocker First National Bank and the Anglo California National Bank.

*California's Oldest National Bank*  
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the  
nation's  
fastest  
growing  
state!



1945-1955

FIRST in percentage growth of population, income, bank deposits, manufacturing output, mineral production and value of farm crops.

(And when you think of Arizona, think of "Arizona's Bank")

39  
FRIENDLY  
OFFICES

VALLEY  
NATIONAL  
BANK

Largest Bank in the Rocky Mountain States  
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

MIT

Dividend Announcement

Massachusetts  
Investors  
Trust  
DECLARES ITS  
127<sup>th</sup> Consecutive Dividend

27 cents a share, from net income, payable July 25 to shareholders of record June 29, 1956. This dividend was declared on shares outstanding prior to the recent 3 for 1 split.

ROBERT W. LADD,  
Secretary

200 Berkeley Street, Boston



### Why Pass Up Extra Commissions?

Leading passbook manufacturer now has several territories open for aggressive men calling on banks to sell all types of passbooks and pocket check covers. Commission basis.

WILLIAM ESLINE, INC.  
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## News About Banks

### Open House Gimmicks

OREGON MUTUAL SAVINGS BANK at Portland used the installation of a complete electronic and posting system as the occasion for a two-day open house that attracted more than 9,000 people. Prizes included two \$100 bank deposits, plus \$10 monthly for a year, to the person and organization making the closest estimate of the bank's deposits on a given date. The bank also offered a year's free safe deposit rental to the first 100 visitors each day.

### "Inside Russia" Film

FIRST NATIONAL BANK IN DALLAS had a brisk mail response to its TV sponsorship of the film "Camera Inside Russia," a 90-minute show. About 85% of the letter writers asked that the program be repeated. President Ben H. Wooten of First National introduced the show.

### Training Program

BANK OF THE SOUTHWEST, Houston, has a new staff training section in its business development department.

### Travel Show

THE BANK FOR SAVINGS, New York City, had a vacation travel exhibition that included displays by transportation companies and several state promotion offices. There was organ music every afternoon.

### Atomic Age

Members of the 1956 graduating classes in Greenwood and Aiken County, North Carolina, high schools received copies of "And What of Tomorrow," compliments of the STATE BANK & TRUST COMPANY, Greenwood, N. C. The book, by G. O. Robinson, is about atomic energy. AEC has a plant near Aiken, and the bank wanted to give the young people a perspective of the atomic age.

### Newspaper Advertising

*Effective Newspaper Advertising for Banks* is the title of a new educational manual published by the

PENNSYLVANIA BANKERS ASSOCIATION.

### Human Relations

Twenty-four basic human relations posters are the educational material for a staff training program offered by DEAN C. WOLFE AND ASSOCIATES, INC., of Boston.

### Medal Display

Bronze medals depicting people who have made aviation history—the Wrights, Glenn Curtiss, Amelia Earhart, General Mitchell, etc.—were displayed at the Rockefeller Center branch of CHASE MANHATTAN BANK, New York. The presentation was by Miss Felicity Buranelli.

### New Format

"Barometer of Business," published monthly by HARRIS TRUST AND SAVINGS BANK, Chicago, has a new format. The pocket-size business review, prepared by Dr. Beryl W. Sprinkel, the bank's economist, and George R. Morison, includes a short section summarizing business, charts on production and employment, prices and distribution, financial and other trends. The whole job is marked by brevity.

### Special Section

Special bank sections of Chicago North Side newspapers carried feature articles and news stories keyed to seven banks in that section of the city. Some of the material was of a general nature, but most of it concerned specific banks: THE FIRST COMMERCIAL BANK, NORTH SHORE NATIONAL, COMMERCIAL NATIONAL, NATIONAL BANK OF ALBANY PARK, BANK OF CHICAGO, UPTOWN NATIONAL, and DEVLON NORTH TOWN STATE.

### Community Guidebook

THE FIRST NATIONAL BANK OF SPRING VALLEY, N. Y., publishes a map of its county showing schools, housing developments, industrial and shopping centers.



This  
embezzler  
won't reveal  
her EQ\*

\*Embezzlement Quotient

There is no way of measuring a defaulter's, even a pretty one's, Embezzlement Quotient. In fact, she doesn't know, herself, how long she will go on defaulting, or how deep she will go. Newspaper headlines support this. They prove that losses believed moderate often expand to breathtaking size, like the default for \$247,000 or the one that came to more than \$2 million. Employee dishonesty is reaching such inflationary heights that a new look at its fidelity protection may actually be the bank's most pressing need.

Indemnity Insurance Company of North America, through its agents, is a good place to get Extra Value in protection. As a leading independent fidelity underwriter, it has the experience, the network of service facilities and the staff of specialists to make protection and loss prevention effective for your bank. Its study of bank losses is a packet of useful information and a checklist of precautions. If you haven't seen "Portfolio of Protection for Banks," ask an Indemnity agent or your broker to show you a copy.

*One of the North America Companies which are headed by Insurance Company of North America, founded 1792*



Protect what you have®

INDEMNITY INSURANCE COMPANY OF  
**NORTH AMERICA**

Philadelphia

# The FIRST NATIONAL CITY BANK of New York



Head Office: 55 Wall Street, New York

75 Offices  
in Greater New York

68 Overseas Branches,  
Offices, and Affiliates

## Statement of Condition as of June 30, 1956

### ASSETS

CASH, GOLD AND DUE FROM BANKS . . . . .	\$1,611,279,820
UNITED STATES GOVERNMENT OBLIGATIONS . . . . .	1,113,532,813
OBLIGATIONS OF OTHER FEDERAL AGENCIES . . . . .	5,576,158
STATE AND MUNICIPAL SECURITIES . . . . .	467,182,961
OTHER SECURITIES . . . . .	124,112,626
LOANS AND DISCOUNTS . . . . .	3,477,523,982
REAL ESTATE LOANS AND SECURITIES . . . . .	39,510,743
CUSTOMERS' LIABILITY FOR ACCEPTANCES . . . . .	64,044,007
STOCK IN FEDERAL RESERVE BANK . . . . .	15,000,000
OWNERSHIP OF INTERNATIONAL BANKING CORPORATION . . . . .	7,000,000
BANK PREMISES . . . . .	34,543,905
ITEMS IN TRANSIT WITH BRANCHES . . . . .	3,558,930
OTHER ASSETS . . . . .	6,763,953
<b>Total</b> . . . . .	<b>\$6,969,629,898</b>

### LIABILITIES

DEPOSITS . . . . .	\$6,249,720,388
LIABILITY ON ACCEPTANCES AND BILLS . . . . .	\$79,416,817
LESS: OWN ACCEPTANCES IN PORTFOLIO . . . . .	11,370,647
	68,046,170
DUE TO FOREIGN CENTRAL BANKS . . . . .	22,042,500
(In Foreign Currencies)	
RESERVES FOR:	
UNEARNED DISCOUNT AND OTHER UNEARNED INCOME . . . . .	26,060,635
INTEREST, TAXES, OTHER ACCRUED EXPENSES, ETC. . . . .	35,125,845
DIVIDEND . . . . .	6,000,000
CAPITAL . . . . .	\$200,000,000
(10,000,000 Shares—\$20 Par)	
SURPLUS . . . . .	300,000,000
UNDIVIDED PROFITS . . . . .	62,634,360
<b>Total</b> . . . . .	<b>\$6,969,629,898</b>

Figures of Overseas Branches are as of June 25.

\$519,982,422 of United States Government Obligations and \$28,118,300 of other assets are pledged to secure Public and Trust Deposits and for other purposes required or permitted by law.

Member Federal Deposit Insurance Corporation

Affiliate of The First National City Bank of New York for separate administration of trust functions

CITY BANK FARMERS TRUST COMPANY

Head Office: 22 William Street, New York

Capital Funds \$32,917,871

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ALAN H. TEMPLE Executive Vice-President
GEORGE A. GUERDAN Vice-President and Cashier
RALPH H. THOMSON Comptroller

## Electronic Equipment

(CONTINUED FROM PAGE 80)

standby system. Large scale production of 125 Systems will begin in the third quarter of 1956, with current delivery being quoted at 12 months.

No banking applications appear on the current order board, although the 125 System has been applied to such operations as trust accounting, tax operations, mortgage loan accounting, and other operations.

Underwood is producing its line of Dataflo punched tape equipment. The first such machines will be off the production lines soon. Typewriters, adding machines, and bookkeeping machines will be included in the line, which will produce, or operate from, 5 - to - 8 - channel punched paper tape.

### Miles Mean Nothing

**The Smaller Banks; Economic Feasibility.** Many of the smaller banks will probably feel that the systems which we have described are costly, and that, therefore, they are available only to the larger institutions. The former assumption

is true: they are expensive. However, because distance is no problem, the advantages to be derived from installation of this new equipment are available to small as well as large banks.

Miles mean nothing to electronics. A bank with branches miles away can integrate all offices into a central processing center. Similarly, if a group of smaller banks desire to get together in order to install some of the new equipment on an "on line" basis, there is no reason why they cannot do so. Distance, even up to hundreds of miles, is no problem. Teleregister, in its airlines system, has tied a Buffalo office into its New York City installation, and reports that the Buffalo office gets results that are just as rapid as some of the more local stations.

It may sound fantastic, but there seems to be no good reason why banks which are 10, 20, even 100 miles from each other, cannot get together, work out an arrangement for an installation to be located in some central spot, on a cooperative basis, and thus obtain all of the advantages of the new equipment

along with the larger institutions.

The cost of an installation depends upon many factors: number of accounts, activity, the number of tellers' stations, etc. Any of the companies mentioned above will be delighted to meet with bankers to discuss systems and costs.

### Much Yet to Be Done

**Future of the Committee's Work.** The work of the Subcommittee on Electronics of the Committee on Savings Management and Operations of the Savings and Mortgage Division is not by any means ended. Much remains to be done. First and foremost, the committee plans to encourage manufacturers to continue to develop new equipment for the banks. Costs are still high, and means must be found to bring them down to a level where every bank can afford the equipment on some basis. The automatic pick-up of balances, account numbers, etc., is not too far off, and work must be done to expedite this further step in automatic data processing. These are but a few of the problems which remain, and which the committee plans to tackle.

Serving  
banks and banking  
everywhere

### CONDENSED STATEMENT OF CONDITION AS OF JUNE 30, 1956

#### Resources

Cash on Hand and on deposit with Federal Reserve Bank and Other Banks . . . . .	\$ 72,371,359.56
United States Government Securities . . . . .	102,358,474.41
Other Bonds and Securities . . . . .	25,493,339.89
Stock in Federal Reserve Bank . . . . .	390,000.00
Loans and Discounts . . . . .	105,453,244.79
Bank Buildings (11) and Equipment . . . . .	2,158,814.75
Customers' Liability Account Letters of Credit and Acceptances . . . . .	929,164.38
Accrued Interest Receivable and Other Resources . . . . .	1,337,548.85
	\$310,491,946.63

#### Liabilities

Capital Stock . . . . .	\$ 4,000,000.00
Surplus . . . . .	9,000,000.00
Undivided Profits . . . . .	4,232,226.43
Reserves for Taxes, Interest, Etc. . . . .	1,126,683.69
Letters of Credit and Acceptances Outstanding . . . . .	929,164.38
Interest Collected but Not Earned . . . . .	1,762,082.61
Deposits . . . . .	289,441,789.52
	\$310,491,946.63

**AMERICAN FLETCHER**

NATIONAL BANK AND TRUST COMPANY

INDIANAPOLIS

"helpful to you"

Member Federal Deposit Insurance Corporation

# The Application-of-Funds Statement

## *Survey at Ohio State University Shows Its Usefulness and Preferences as to Its Form*

JACK J. KEMPNER

*The author writes from The Ohio State University's College of Commerce and Administration, Department of Accounting, Columbus.*

A COMMERCIAL bank is very much interested in the financial activities of its borrowers, and any report which adds to this sum of knowledge is of vital concern. While the balance sheet and income statement may be recognized as primary financial reports, the statement of application-of-funds is also an important analytical device.

Since the bank loan officer has always appreciated the importance of working capital, it is natural that he would have a particular interest in this statement. In order to determine the value placed upon the funds statement by the banker, as well as his preferences concerning the manner of its submission, a survey was made of bank loan officers in various parts of the country. Written questionnaires were first field tested in the central Ohio area and then mailed to 210 of the largest banks chosen from cities of over 100,000 population. The survey was conducted under the auspices of the Bureau of Business Research of The Ohio State University.

### Important Data

Judging by the abnormally high percentage of returns from a questionnaire of this type, there can be little doubt that bankers are extremely interested in the funds statement as an important supplement to financial statement analysis. Out of the 210 mailings, 174 replies were received, resulting in a return of 83%.

The recipients of the questionnaire were first asked to indicate the degree of importance they attached to the funds statement when re-

viewing the financial status of a prospective borrower. The vast majority of the respondents, 74%, consider it to contain vital information. Only one banker did not believe it to be of any appreciable value.

In another question, respondents were requested to check the one method that best described their manner of acquiring this statement. The question was further broken down by company-size groups corresponding to "large" (total assets over \$10,000,000), "medium" (\$2,500,000 to \$10,000,000), and "small" (under \$2,500,000).

It was not surprising to learn that more than half of the large companies, 58%, voluntarily furnish

their own funds statements, whereas a very small percentage, 5%, of the small companies include such a statement in their reports. It may be noted that many of the banks prepare their own statements, particularly when analyzing the reports of the smaller borrowers. Some of the general comments from respondents revealed that many loan officers prepare their own uniform funds statement whether or not such a statement is supplied by the borrower.

### Popularity Increasing

The trend in funds statement usage was brought out by a question

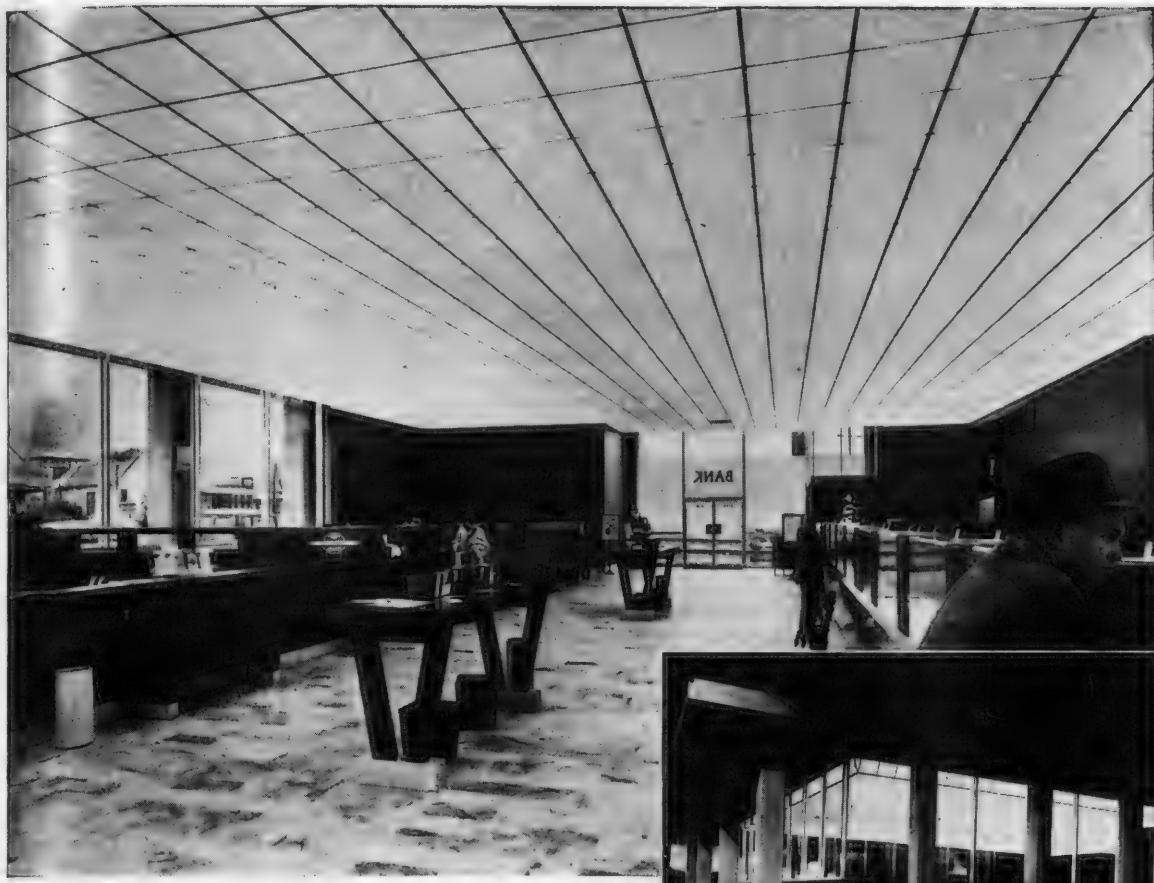
(CONTINUED ON PAGE 164)

### FUNCTIONS OF THE FUNDS STATEMENT AS AN ANALYTICAL DEVICE

Funds Statement Shows:	The Most*		Valuable		Minor Value	
	No.	%	No.	%	No.	%
Changes in working capital position	72	50.3	70	13.1	14	8.2
Chief source from which funds were obtained; i.e., profits, borrowings, investment of owners	39	27.3	101	18.8	8	4.7
Proportion of funds applied to plant additions	5	3.5	121	22.6	17	10.0
Proportion of funds disbursed as dividends	..	..	69	12.9	64	37.6
Determination of functions and use of profits	11	7.7	87	16.2	30	17.6
Indication of progress of general financial strength or weakness of the company	15	10.5	84	15.7	37	21.9
Miscellaneous†	1	.7	4	.7	..	..
<b>TOTALS</b>	<b>148</b>	<b>100</b>	<b>536</b>	<b>100</b>	<b>170</b>	<b>100</b>

\* Respondents were requested to check only one function in the first column, but as many as they wished in the last two columns.

† One banker considered "Over-all sources and application" to be the most valuable function.



Interior view of Bank of the American Trust Company, Concord, California, showing ceiling of Acousti-Celotex Acousti-Lux® Translucent Panels (Moorish Dome pattern) on an Alumite® Suspension System. (Right) Night view of bank's exterior. Architect: John Carl Warnecke.



## Attractive Ceiling Treatment for a Modern Bank

Here is a dramatically new and efficient bank ceiling of Acousti-Celotex Acousti-Lux Translucent Panels—designed to transmit the high levels of today's illumination, with . . .

- Full, uniform light diffusion—"shadow-free lighting" • Low brightness—no glare • Light sources entirely concealed • A "self-extinguishing" ceiling surface; will not support combustion
- Long-lasting, durable panels with dimensional stability essential for translucent ceilings • A ceiling system where acoustical tile and translucent panels can be combined in a layout keyed to the needs of the various areas • Easy maintenance; convenient size for washing, instant removal for access to light fixtures or other above-ceiling utilities • An uninterrupted, level ceiling plane of soft, diffused light • Unusual versatility; available in a wide variety of attractive patterns.



**ACOUSTI-LUX PANEL**—Fabricated of two spaced layers of white vinyl sheeting especially developed for translucent ceilings. Offers excellent balance between high light transmission and uniform diffusion. Diaphragmatic damping between the two interior surfaces provides the sound-absorption value. 24" x 24" size is ideal for installation efficiency, maintenance ease, and integration with Acousti-Celotex Sound Conditioning Tile.

### Mail Today!

The Celotex Corporation, Dept. CC-86  
120 S. LaSalle St., Chicago 3, Illinois

Without cost or obligation, please send me complete details on Acousti-Celotex ACOUSTI-LUX and LUMICEL® Translucent Panels, including patterns available.

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Products for Every Sound Conditioning Problem—The Celotex Corporation, 120 S. LaSalle St., Chicago 3, Ill. • In Canada: Dominion Sound Equipment, Ltd., Montreal, Quebec.

# Announcement

We take pleasure  
in announcing the transfer of  
our

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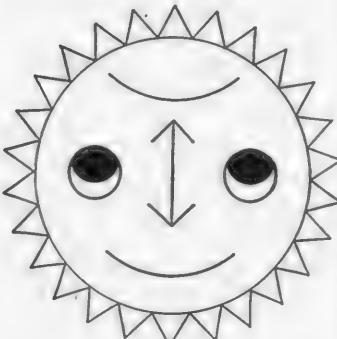
July 23, 1956



THE MITSUBISHI BANK LTD.

Agent: Tokaji Hasegawa  
Tel: WORTH 2-4561  
Cable Address: "CHYODABANK"  
NEW YORK

The tragic fact, our doctors  
tell us, is that every third ear-  
ner death is needless death...  
twice as many could be saved.



### LET'S LOOK AT THE BRIGHTER SIDE

Many thousands of Americans are cured of cancer every year. More and more people are going to their doctors *in time*...To learn how to head off cancer, call the American Cancer Society or write to "Cancer" in care of your local Post Office.

American Cancer Society

(CONTINUED FROM PAGE 162)  
relating to the frequency with which loan applicants include a funds statement in their financial data today as compared with 10 years ago. A definite increase in the popularity of the funds statement over the past decade is evident. Ten years ago over 30% of the banks found that borrowers included no funds statements in financial reports, whereas only 2% indicated that this situation exists today. Even today, however, the great bulk of the respondents indicate that only about 30% of their borrowers include this statement.

Bankers were also asked to indicate how they valued the funds statement as a means of analyzing changes in a company's financial position. The table on page 162 summarizes the results of their opinions.

### Importance of Changes

Fifty percent of the bank loan officers replying believed that a company's change in working capital position was the most valuable function of the funds statement. A somewhat smaller proportion, 27%, considered the "chief sources from which funds were obtained" to be the most valuable factor. No particular "valuable" factor seems to stand out, most of them being fairly well distributed among all the functions. From a rather negative standpoint, quite a number of the reporting banks, 37%, believed that the proportion of funds disbursed as dividends was worth only minor consideration.

Some idea as to the degree of difficulty bankers experienced in understanding the funds statement was attempted. It was assumed that bank loan officers to whom the questionnaire was addressed had worked with these statements for several years and would therefore no longer find them difficult to understand. However, it was believed that inexperienced credit men might find certain areas of the statement more puzzling.

It appeared from the answers that most difficulties seem to arise in connection with the concept of the flow of funds in general and with the treatment accorded non-fund charges. Very little difficulty was apparently experienced with respect to distinguishing between cash and funds. A parallel survey of certified public accounting firms

revealed that their clients encountered most of their difficulty in this area.

Respondents were asked to disclose any preferences they had with respect to the time period covered by the funds statement. Answers showed an almost unanimous desire to obtain annual statements, and there was a heavy demand for occasional submission of statements for periods of less than one year. Apparently a good many bankers would like to have access to comparative and cumulative statements, as well. In the comparable study made of public accountants, the writer learned that auditors were ordinarily not in the habit of submitting anything but an annual funds statement unless specifically requested to do so.

### Emphasis on Working Capital

Bankers were requested to choose between an emphasis on working capital or a cash balance approach in the funds statement. One hundred and forty-seven, or 95%, preferred the working capital approach, while eight indicated a preference for the cash balance approach. Banks have always attached a great deal of importance to the working capital position of a borrower when deciding what size of loan to grant. Since the chief purpose of a funds statement is to trace the flow of working capital during a fiscal period, it is natural to find that a preponderance of bankers prefer this approach.

Most bank loan officers still prefer the more traditional balanced form rather than the newer report form of either the reconciling or remainder type. The reconciling type is a rather recent innovation and may be expected to show increased favor in the future. The advantage of this presentation lies in its ability to show more clearly the movement of funds. The company begins its fiscal period with an opening funds balance; certain increases and decreases in the level of funds occur during the year; and an ending balance is presented at the close of the period.

Some accountants have suggested that there is no particular advantage to be gained by showing a single net income figure on the funds statement in order to reconcile it to the operating statement. It has been further suggested that, by pre-

(CONTINUED ON PAGE 166)

# DIEBOLD "KNOW-HOW"

## made motor banking profitable for us

Our customers needed drive-in banking service. We wanted to offer it to them. But, our staff could not reach an agreement on how to provide the service. The fact that our location had been selected and our building erected prior to the motor banking era, posed some problems.

Then someone suggested that we examine the Diebold MOTOR BANKING book. It gave us just what we needed . . . examples of motor banking installations made under limitations similar to our own.

Best of all Diebold did not recommend that we "duplicate" any installation. Their representative showed us how to study our community, our customers and their motoring habits so we would *know* . . . what type of service to offer . . . how many windows to install . . . where to plan for expansion . . . how to use available space effectively.

As a result our drive-in service has operated smoothly and profitably from the start. Our customers enjoy it. Our staff is delighted with it. And, because Diebold helped us through the critical pre-installation studies, we have avoided costly trial and error.

Hundreds of banks have had similar experiences. Having equipped thousands of the nation's drive-in and walk-up banks, Diebold has the experience required to make motor banking practical and profitable. Ask to examine MOTOR BANKING . . . a 154-page Diebold study . . . the most authoritative treatise ever published on the subject. Write today.

\$64,000  
QUESTION

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Canton 2, Ohio

I wish to examine a copy of your study, "MOTOR BANKING."

Bank \_\_\_\_\_

Individual \_\_\_\_\_ Title \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

N-328-DI

(CONTINUED FROM PAGE 164)

**LOS ANGELES METROPOLITAN AREA**, the nation's headquarters for research and development of guided missiles and electronic computers, continues to show a rapid growth in all phases of the electronics industry. It is estimated that 80,000 people are currently engaged in producing electronic items. This means that over 11 per cent of all persons employed in all manufacturing plants of the area are in some aspect of electronics work. Clearly, Southern California is accounting for a substantially higher percentage of the national total in this field.



# SECURITY-FIRST NATIONAL BANK OF LOS ANGELES

FOUNDED 1875

## STATEMENT OF CONDITION

JUNE 30, 1956

### RESOURCES

Cash and Due from Banks .....	\$ 409,691,858.18
U.S. Government Securities .....	\$ 960,330,177.65
State and Municipal Securities.....	83,138,779.88
Other Bonds and Securities .....	31,999,471.52
Loans (less reserves) .....	1,075,468,429.05
Earned Interest Receivable.....	688,544,071.72
Customers' Liability—Accept. and L/C.....	6,700,979.69
Bank Premises .....	5,336,917.39
Other Assets .....	4,041,496.06
TOTAL.....	164,733.87
	\$2,189,948,485.96

### LIABILITIES

Capital .....	\$ 50,000,000.00
Surplus .....	50,000,000.00
Undivided Profits .....	46,068,233.50
Reserves for Interest, Taxes, etc. ....	\$ 146,068,233.50
Interest Collected—Unearned.....	12,923,492.18
Acceptances and Letters of Credit .....	5,306,360.71
Other Liabilities .....	5,336,917.39
Deposits—Time .....	352,973.09
Deposits—Time .....	\$ 672,666,777.51
—Demand .....	1,347,293,731.58
TOTAL .....	2,019,960,509.09
	\$2,189,948,485.96

Securities carried at \$221,178,499.00 are pledged to secure trust funds and U. S. Government, State and other Public Moneys, and for other purposes as required or permitted by law.

146 Offices and Branches serving Central and Southern California

### BOARD OF DIRECTORS

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<b>Gabriel C. Duque</b> <i>Attorney</i>		

Member: Federal Reserve System, Federal Deposit Insurance Corporation

senting a detailed breakdown of operating revenues and expenditures on the funds statement, the confusing procedure of adding back depreciation and other nonfund charges to funds provided by profits can be avoided. Respondents were therefore asked to disclose their preferences with respect to the practice of including the detailed operating data on this statement. A single net income figure as part of the total funds provided was the preference of 127, or 74%, of the bankers.

As an adjunct to the single net income question, bankers were next asked whether they considered it important to have the figure "funds provided by operations" agree with the net income figure appearing on the operating statement. Approximately three-quarters of the respondents indicated a preference for a single reconciling figure and believed a comparison important.

### An Analytical Tool

One very positive factor stands out as a result of the survey of bank loan officers. Bankers are acutely aware of the value of the funds statement as an analytical tool and have been for several years, and they are keenly interested in encouraging its continued use and further development. Many of the respondents expressed gratification that such a study had been undertaken and hoped that the results would lead to greater employment of the statement in financial reporting.

The definite increase in the appearance of this statement in recent audit reports is a sure indication that accountants are becoming more conscious of its usefulness to financial analysts. Further progress can probably be made if constant pressure is brought to bear on loan applicants to require their auditors to prepare such a report whenever a balance sheet or income statement is submitted.

*The little boy prayed that he might be made a good boy—but not until the day after tomorrow.*

How soon Russia gets out of the satellite countries will have something to do with how much.



the second best way to sort, count, package and pay coins is by hand or with inefficient or unreliable equipment.

## THE BEST WAY to perform these tasks is with

Speedy Brandts that can be relied upon for absolutely accurate service because of their fine, durable construction.

A demonstration by a Brandt representative will conclusively prove our point.

Begin soon to save time and money by installing BRANDT machines.



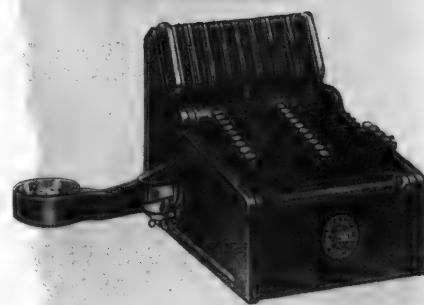
**MODEL SL**  
**BRANDT COIN SORTER AND COUNTER**  
(motor driven)

Sorts and counts mixed coins, pennies to half dollars, inclusive. Features new "quick take-apart" construction, permitting quick, easy access to many of the working parts.



**MODEL CHM**  
**BRANDT COIN COUNTER AND PACKAGER**  
(motor driven)

Handles all coins from pennies to silver dollars, inclusive. Mechanical improvements make for speedier packaging of coins with less effort. Hand operated machine is also available.



**MODEL 250**  
**BRANDT AUTOMATIC CASHIER**  
Delivery chute type. Coins delivered directly to the customer upon the depression of a single key.



**MODEL 150**  
**BRANDT AUTOMATIC CASHIER**  
Trap door type. Coins delivered to the customer by the operator following the depression of a single key.

We also manufacture a complete line of coin wrappers and bill straps.

### BRANDT AUTOMATIC CASHIER COMPANY

WATERTOWN

Established 1890

WISCONSIN

"BRANDT" AND "CASHIER" REGISTERED UNITED STATES PATENT OFFICE AND CANADIAN TRADE MARKS OFFICE

# Bank Stocks Show Good Investment Values

THUS far in 1956, economic activity generally remains at a high level, demand for bank credit still is large, and interest rates continue to be subject to upward pressures. Net operating revenues of the banks have risen to record high levels, and the prospect is for earnings in 1956 to exceed 1955, according to The First Boston Corporation in its latest edition of *Data on Selected Commercial Bank Stocks*, just published.

Dividends, according to the study, for the most part have tended to keep pace with the increased earnings. However, market prices of bank stocks have not appeared to reflect fully the favorable operating results and the outlook for continued good earnings.

In commenting on the current market for bank stocks, the First Boston study says that "The following points emphasize the principal

reasons for the present attractiveness of bank stocks as good investment values:

"(1) Yields, generally, are at higher levels than they have been for some time; also, price-earnings ratios and dividend pay-out rates are at levels somewhat lower than have prevailed for the past year or more.

"(2) Prospects are for a substantial increase in earnings this year. Even if loan demand levels out or turns downward in the latter part of 1956, a considerable volume of business is on the books at the recently prevailing higher rates; this factor should tend to keep earnings up for a considerable period.

"(3) In many cases earnings are more than sufficient to support further modest dividend increases.

"(4) Many of the country's leading industrial enterprises are projecting long-term plans for the expected future expansion of the economy. This could mean continued substantial demand for bank credit accommodation.

"(5) Increased use by some banks of electronic equipment is tending to hold down certain operating costs, so that a larger portion of the gain in gross income may be brought down to net operating earnings."

## CONDENSED

## Statement of Condition

AT CLOSE OF BUSINESS JUNE 30, 1956

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### RESOURCES

Cash and Due from Banks . . . . .	\$106,621,183.80
United States Government Securities . . . . .	165,388,748.87
Obligations of Other Federal Agencies . . . . .	5,373,125.00
State, County and Municipal Securities . . . . .	22,063,011.62
Loans and Discounts . . . . .	163,980,920.54
Federal Reserve Bank Stock . . . . .	660,000.00
Stock in Commercial Fireproof Building Co. — Head Office Building . . . . .	348,500.00
Bank Premises and Furniture and Fixtures . . . . .	4,820,104.15
Other Real Estate Owned . . . . .	1.00
Customers' Liability under Letters of Credit and Acceptances . . . . .	1,748,919.04
Earned Interest Receivable . . . . .	1,525,340.56
Other Resources . . . . .	372,305.90
TOTAL . . . . .	\$472,902,160.48

### LIABILITIES

Capital Stock . . . . .	\$ 7,000,000.00
Surplus . . . . .	15,000,000.00
Undivided Profits . . . . .	6,671,747.91
SUB-TOTAL . . . . .	\$ 28,671,747.91
Reserve for Taxes, Expenses, Etc. . . . .	2,020,866.81
Discount Collected — Unearned . . . . .	2,745,338.04
Letters of Credit and Acceptances . . . . .	1,748,919.04
Other Liabilities . . . . .	5,079,926.18
Deposits . . . . .	432,635,362.50
TOTAL . . . . .	\$472,902,160.48

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—L. Karpman

BANKING

# Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

## Condensed Statement of Condition June 30, 1956

(Figures of Overseas Branches are as of June 23, 1956)

### RESOURCES

Cash and Due from Banks . . . . .	\$1,381,591,868.47
United States Government Securities and Securities Guaranteed by the Government . . . . .	1,821,046,625.15
Federal Agency Securities . . . . .	106,489,405.56
State, County, and Municipal Securities . . . . .	580,102,894.81
Other Securities . . . . .	112,062,252.96
Loans Guaranteed or Insured by the United States Government or its Agencies . . . . .	1,365,212,440.84
Other Loans and Discounts . . . . .	3,708,647,477.37
Bank Premises, Fixtures, etc. . . . .	93,491,492.62
Customers' Liability on Letters of Credit, etc. . . . .	300,131,815.98
Accrued Interest and Other Resources . . . . .	52,841,231.26
<b>TOTAL RESOURCES . . . . .</b>	<b>\$9,521,617,505.02</b>

### LIABILITIES

Capital . . . . .	\$ 160,000,000.00
Surplus . . . . .	290,000,000.00
Undivided Profits and Reserves . . . . .	104,354,298.56
<b>TOTAL CAPITAL FUNDS . . . . .</b>	<b>\$ 554,354,298.56</b>
Reserve for Possible Loan Losses . . . . .	74,840,899.20
<b>DEPOSITS</b> { Demand . . . . .	\$ 4,184,523,543.27 } 8,498,981,384.98
{ Savings and Time . . . . .	4,314,457,841.71 }
Liability for Letters of Credit, etc. . . . .	301,414,473.88
Reserve for Interest, Taxes, etc. . . . .	92,026,448.40
<b>TOTAL LIABILITIES . . . . .</b>	<b>\$9,521,617,505.02</b>

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## Condensed Statement of Condition June 30, 1956

Home Office—New York, N.Y. Branches: Dusseldorf • Singapore • Paris  
(Branch figures are as of June 23, 1956)

### RESOURCES

Cash and Due from Banks . . . . .	\$ 44,030,208.22
United States Government Obligations . . . . .	19,026,853.44
Other Securities . . . . .	8,930,679.21
Loans and Discounts . . . . .	98,884,684.84
Customers' Liability on Letters of Credit, etc. . . . .	96,074,192.54
Accrued Interest and Other Resources . . . . .	1,454,969.35
<b>TOTAL RESOURCES . . . . .</b>	<b>\$268,401,587.60</b>

### LIABILITIES

Capital . . . . .	\$ 13,000,000.00
Surplus . . . . .	5,200,000.00
Undivided Profits . . . . .	1,439,672.79
<b>TOTAL CAPITAL FUNDS . . . . .</b>	<b>\$ 19,639,672.79</b>
Reserve for Possible Loan Losses . . . . .	1,137,985.58
Deposits . . . . .	149,571,273.85
Liability for Letters of Credit, etc. . . . .	96,394,876.41
Reserve for Interest, Taxes, etc. . . . .	1,657,778.97
<b>TOTAL LIABILITIES . . . . .</b>	<b>\$268,401,587.60</b>

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# New Books

**STUDY OF INDUSTRIAL RETIREMENT PLANS.** Bankers Trust Company, New York. 177 pp. This sixth in a series of studies by this bank's corporate and pension division covers 116 industries and 4,000,000 employees, or one-third of those currently under pension plans. It finds that more than half the plans studied had been changed during the 1953-55 period of the study to allow larger benefits; that 65 is still the normal retirement age; that fewer plans now require employee contributions; that more plans have either eliminated or liberalized their limitation on maximum pensions, thus continuing a trend.

**LIFE INSURANCE STOCKS AS INVESTMENTS.** By James T. S. Porterfield. Stanford University. 106 pp. \$1.50. Reviews characteristics, prospects, and performance of the life insurance business, discussing the major factors that bear on the outlook for and investment quality of insurance shares.

**GETTING AND SPENDING.** By Burton Crane. Harcourt, Brace, New York. 303 pp. \$4.95. "An informal guide to national economies."

**AMERICAN CAPITALISM: A LIBERAL VIEW.** By Massimo Salvadori. Pall Mall Features, Ltd., London. 71 pp. 50 cents. A description of "some features of American capitalism which are often overlooked or underestimated, some results it has achieved, some factors which have contributed toward moulding its present shape." The author is professor of history at Smith and Bennington colleges.

**AN ARCHITECT DISCUSSES SHOPPING CENTERS.** By Clinton Gamble. A reprint of five articles that appeared in the *Miami Herald*. Mr. Gamble covers the subject from the planning stages of centers to completion and operation: selection of site, parking ratio to selling space, design, teamwork required in operation.

**BUSINESS PRACTICES, TRADE POSITION, AND COMPETITION.** By Oswald Knauth. Columbia University Press,

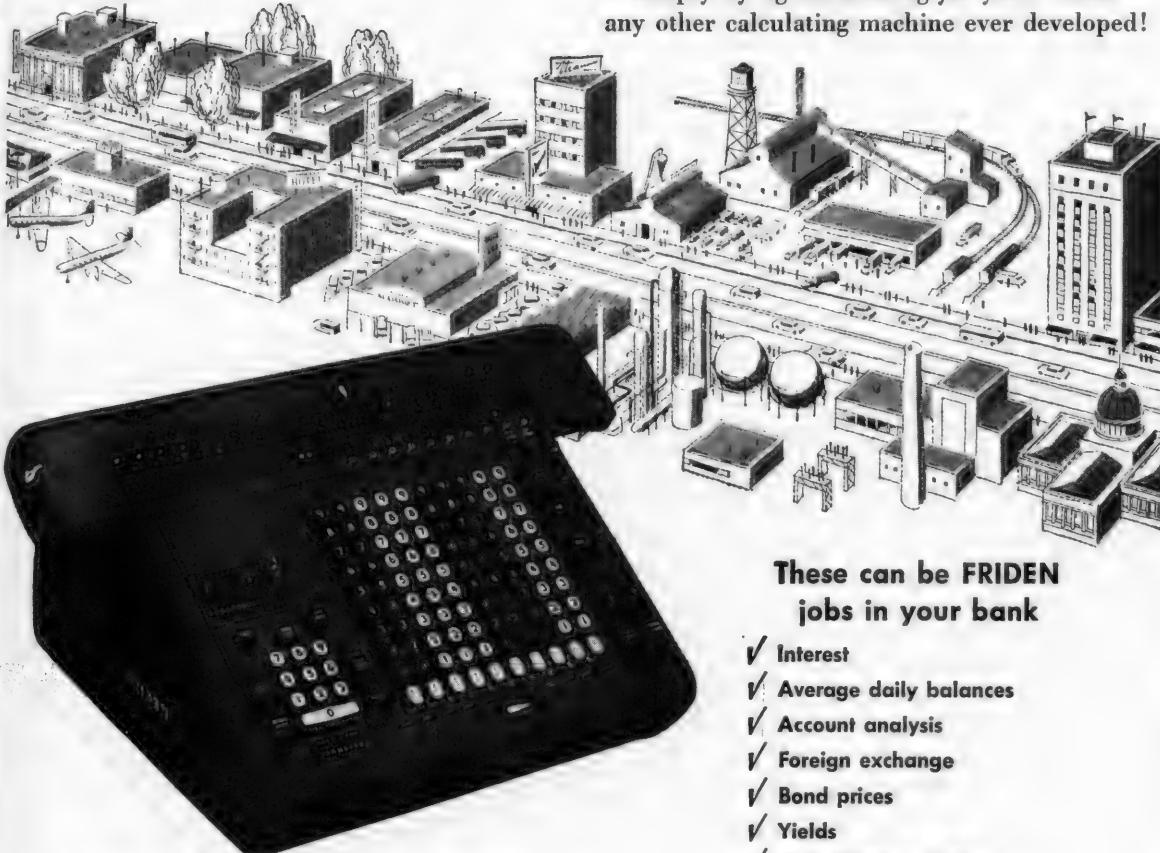
New York. 181 pp. \$3. Professor Knauth argues "a dynamic concept of continuous adjustment to maintain equilibrium within the shifting pressures" of the present day economy.

**THE UNITED NATIONS AND HUMAN RIGHTS.** By James Frederick Green. The Brookings Institution, Washington, D. C. 194 pp. \$1.50. The third in a series on the United Nations system.

**MATHEMATICS OF FINANCE** (2nd edition). By Paul M. Hummel and Charles L. Seebek, Jr. McGraw-Hill Book Company, Inc., New York City. 382 pp. \$4.75. Begins with the treatment of simple interest and discount, the properties and uses of an equation of equivalence, and the use of the time diagram as an aid in writing an appropriate equation; continues through the topics of compound interest, annuities, perpetuities, bonds, and depreciation; and ends with an elementary treatment of the fundamentals of life insurance. Designed for students in schools of commerce and business administration, and for self-study by anyone with a good foundation in high school algebra.

**EXPORT-IMPORT BANKING — THE DOCUMENTS AND FINANCIAL OPERATIONS OF FOREIGN TRADE** (2nd edition). By William S. Shaterian. The Ronald Press Company, New York. 508 pp. \$6.50. Discusses, with emphasis on fundamentals, the detailed banking procedures used in financing export-import operations. The author took an active part in the development of American foreign trade procedures during almost 30 years with the overseas division of The First National City Bank of New York. He also has a background of more than 20 years' teaching experience at the American Institute of Banking, New York Chapter, and The American Institute for Foreign Trade. The book has been recommended by the National Educational Office of the A.I.B. for use in study classes covering the work of the foreign departments of banks.

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## The terrible vengeance of Joseph P. Fyffe



ON A WARM August evening in 1870, a footsore stranger in naval officer's uniform walked into East Haddam, Conn.

His name was Joseph P. Fyffe, and he was revenging himself on the Navy for refusing to advance him travel money to proceed to his new station, San Francisco.

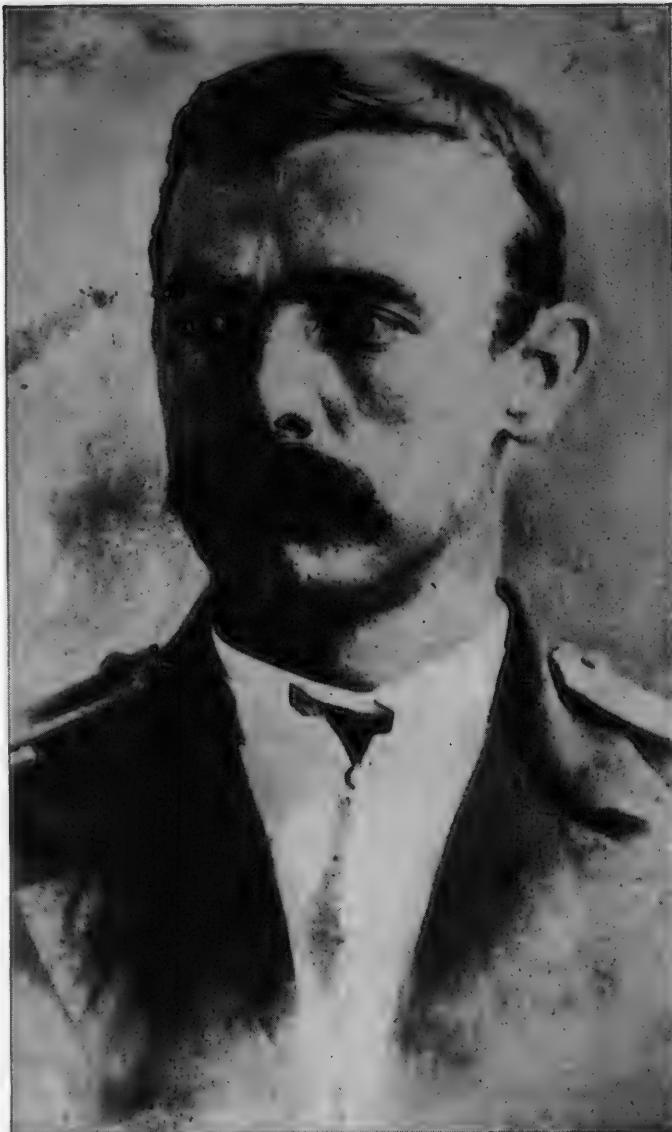
He was trudging cross-country *on foot*. And conscientiously wiring in daily progress reports well-calculated to give his superiors apoplexy. His sixth, from Albany, N.Y., read in part:

*"Entered Albany barefooted X  
Comfortable X Earning my keep as  
bartender X Local rum far superior  
that served in Navy X Am sending  
sample"*

At this, the Navy struck its colors, reversed its time-honored tradition, and began prepaying travel allowances.

Strangely enough, Joe Fyffe actually wound up as a rear admiral. That, of course, was years later; and he has long since passed to his reward. But his vigorous and outspoken independence is still alive and kicking in today's Americans. That's why our country is a strong, vital nation and why our country's Savings Bonds are one of the finest investments in the world.

165 million Americans stand behind U.S. Savings Bonds. *There is no better guarantee.* So buy Bonds regularly—and keep the ones you buy.



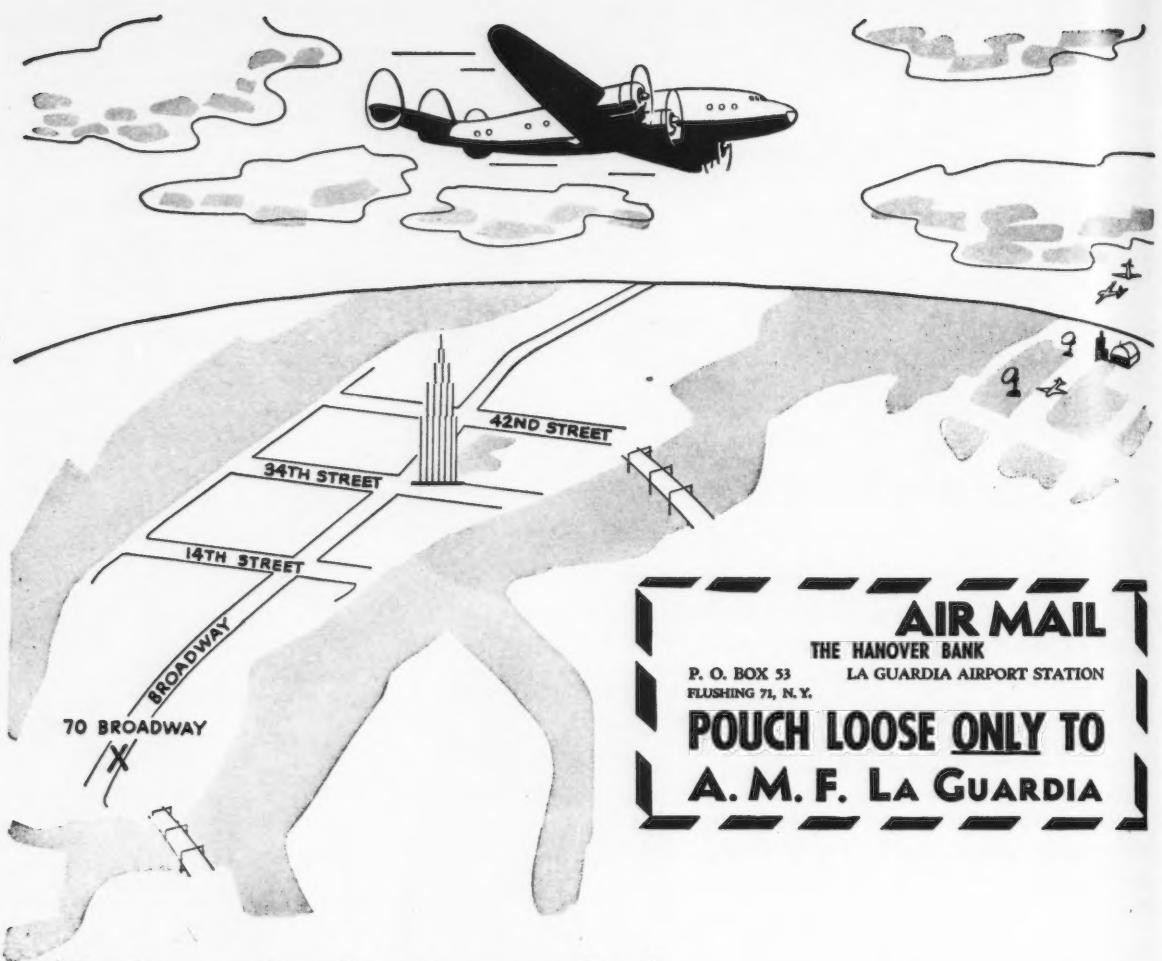
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Aug

# The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 35)

1956 will be good or better than last year. Principal industries are expanding, although there is an indication of some softness in a few lines, such as the retail automobile and household appliance business.

It is quite apparent that our expanding economy will require substantial use of bank credit for a number of years. The problem is intensified by reason of the fact that depreciation allowances and high taxes just do not leave enough money for a going concern to cover its normal expansion needs.

## Credit Demand—The outlook:

*Commercial loans*—Generally no change in the volume of loans to sales finance companies is looked for, except in one area where it was expected to be up substantially. Mortgage warehousing loans will average about the same and other commercial loans will be slightly higher.

*Consumer credit loans*—Slightly higher.

*Real estate loans*—Slightly lower.

*Agricultural loans*—Slightly higher.

## Chicago District (7)

**Business Outlook**—The business trend is regarded as generally favorable throughout the Seventh Federal Reserve District for the balance of 1956, although automobile manufacturing and agriculture are uncertainties. It is expected that the third quarter may be a little lower as heavy inventories in automobiles, farm equipment, and steel are liquidated. The upturn in the fourth quarter will depend to some extent on the reception given the new 1957 models. On the whole, however, no one appears to be worried about any important deterioration in business and it seems likely that the last six months of the year will be at least as good or better than the corresponding period in 1955. Areas dependent primarily on prosperity of agriculture may not participate in this generally favorable trend, however, for throughout this report the impact of lower farm prices on other business and commerce in the territory as well as

on banking itself is readily apparent.

**Credit Demand**—The trend of bank loans in this District:

*Commercial loans*—Mixed views were evident as to the trend on loans to sales finance companies. Most respondents expect the trend to be about the same; a few expect a modest decline. It is thought that public acceptance of 1957 automobile models in the fall will be a determining factor.

General expectation on other commercial loans is for an increase from present high levels due to seasonal factors.

*Consumer credit loans*—A stable trend is generally anticipated on consumer credit loans. Two respondents believe a lower sales volume in automobiles and appliances will cause a decrease in volume or prevent the usual seasonal rise in the autumn.

*Real estate loans*—No decisive trend is in evidence. Respondents are about equally divided between steady, down slightly, and up slightly.

*Agricultural loans*—No decisive trend for the district as a whole. However, both Iowa respondents expected lower volume.

## St. Louis District (8)

**Business Outlook**—The consensus in this Federal Reserve District is that the outlook for business conditions in the latter half of 1956 is good. The possibility exists of a third quarter setback to the steel industry, should there be a long strike, and this would have a material effect on other industries. Farm prices will continue to decline, but should be offset in some areas by improved crop prospects this year.

Strongest statement for an improved outlook comes from Louisville, Kentucky, where further increases in industrial production and the opening of new industries are expected.

Reports from both Little Rock and Memphis are optimistic.

The two St. Louis banks differ somewhat in their predictions for that area, one foreseeing a continuation of business at the current level,

the other bank predicting a dip in the third quarter and an improvement in the fourth quarter.

**Credit Demand**—The expectation as to the trend of bank loans:

*Commercial loans*—A majority of bankers consulted foresee a decline on loans to sales finance companies. Two banks predicted an upturn in the fourth quarter. Only a Memphis bank and one St. Louis bank predict a slight increase.

The majority predict a decline on mortgage warehousing loans. Only one Little Rock bank predicts an increase, with one St. Louis bank foreseeing no change.

On other commercial loans there was a split opinion. No regional pattern exists.

*Consumer credit loans*—Either no change or a downward movement.

*Real estate loans*—There was a divided opinion, with some respondents indicating no change.

*Agricultural loans*—Opinions divided.

## Minneapolis District (9)

**Business Outlook**—The outlook for business in the Ninth Federal Reserve District for the last six months of 1956 is good. Employment is high and personal income the best ever. The milling business appears to be enjoying a good season. The mining of iron ore in northern Minnesota is at a high level and the construction industry, except home building, is unusually active.

The most important industry in this territory is agriculture. The measure of success in this field each year depends upon weather and crop conditions. So far this season, the crops generally throughout the area look good and prices of farm products on the whole are somewhat higher. It appears that, granted satisfactory crop conditions during the rest of the season, business and agriculture in the second half of 1956 should be satisfactory.

**Credit Demand**—It is believed by those participating in this survey that the trend of bank loans in this District for the last six months of 1956 as compared with present levels will be as follows:

*Commercial loans*—Loans to sales finance companies generally are being held to their present level.

There is only a small amount of mortgage warehousing loans in the area; moderate decline is expected.

An increase is looked for on other commercial loans. Probably volume will reach an all-time high in the fall of this year.

*Consumer credit loans*—A moderate increase was indicated, especially in the fourth quarter of the year.

*Real estate loans*—Some increase of volume is expected in commercial and home loans.

*Agricultural loans*—Some increase.

## Kansas City District (10)

**Business Outlook**—Business generally in this Federal Reserve District for the last six months of 1956 should continue good, except as affected by drought conditions. Retail trade seems to be anticipating a good fall season, and there is a more optimistic feeling that the automobile oversupply will be reduced during the last half of the year.

The business outlook in this District should have some stimulus from public construction and industrial expansion. Agricultural prices and the drought are the main drawbacks in a good part of the District. In the oil industry the increased costs of finding and producing oil without any increase in selling price is causing some concern, and there is some curtailment in this activity because of these conditions. Most banks feel that there will be some upturn the latter part of the year. Deposits generally are down, with loans up. Country banks are feeling the pinch because of lack of new wealth being created in the livestock and agricultural industries.

**Credit Demand**—The outlook:

*Commercial loans*—It is expected that the volume of loans to sales finance companies and for mortgage warehousing will be steady. Though down in some sections, other commercial loans should be steady with some seasonal increases.

*Consumer credit loans*—General increases in demand, with some banks indicating there are recent increases in their own territory.

*Real estate loans*—The trend should be steady.

*Agricultural loans*—These loans depend upon drought conditions. A good part of the territory is dry although rains would create an additional demand. Generally speaking, the trend would be down because of drought conditions in the area.

## Dallas District (11)

**Business Outlook**—Business conditions generally here are expected to continue good throughout the balance of the year and are expected to be as good, if not better than, the last half of 1955. Principal reasons are a continuing high level of business activity and employment, plant expansion in order to handle the increasing volume of business, and good agricultural prospects for this year in most areas.

Credit demands continue to be very strong, especially in the larger cities, and money continues to be in very short supply; nevertheless most commercial banks continue to feel that they are taking care of the legitimate and reasonable demands of their customers who are deserving of credit, although the interest rates involved are high and may go even higher.

**Credit Demand**—*Commercial loans*—Little change is expected in the volume of loans to sales finance companies and in loans for the purpose of warehousing real estate mortgages. Other commercial loans are generally expected to increase.

*Consumer credit loans*—Expected to increase.

*Agricultural loans*—Will increase, but to a lesser extent.

*Real estate loans*—Some decline.

## San Francisco District (12)

**Business Outlook**—During the first half of 1956, business activity in the Twelfth District has changed very little from the very high level at which the year began. Although the business curve in recent months has shown a tendency to move upward, the trend of over-all activity has been essentially horizontal during the past fall, winter, and spring.

Despite the well-publicized declines in residential building and motor vehicle production, the economy of the District still appears to be operating close to practical capacity in most lines. Total employment has continued to rise moderately, and unemployment remains at a very low level. In the District's factories, seasonally adjusted employment has inched up to new record levels, paced by continued strength in the aircraft, machinery, and metals industries. The total volume of building and construction has been well maintained. In most sections of the

District, nonresidential building has more than made up for the lower level of residential activity. Industrial building activity, in particular, has shown remarkable gains—primarily in the large metropolitan counties. For example, in Los Angeles County industrial building activity during the first five months of this year has more than doubled from the same period last year.

**Credit Demand**—The demand for credit has been extremely heavy in the Twelfth District during the first half of the year and, despite the generally tight credit conditions, bank loans increased sharply. Deposit increases have not kept pace with this increased loan demand. Bank lending has increased more rapidly in this District than in the nation as a whole. Approximately 20% of the nation's bank loans are held in the Twelfth District. However, during the first quarter, the rise in total loans as reported by the weekly reporting member banks accounted for nearly one-third of the comparable rise in loans nationally. The more significant increases in bank loans have occurred in commercial and industrial categories.

Bankers in the District expect a continuation of the strong demand for credit during the last half of 1956.

**Commercial loans**—No apparent change from present levels is indicated for loans to sales finance companies or for mortgage warehousing loans. The latter may be down a bit. However, for other commercial loans, the trend is expected to be upward—increasing perhaps 5% to 10%.

**Consumer credit loans**—Little change is expected in consumer credit outstanding.

**Real estate loans**—Demand for real estate loans apparently is still strong throughout the District, and the availability of funds will probably govern the trend of these loans in the various sections of the District. No change, or a slight decline, in real estate loans is anticipated in most areas, although increases of from 3% to 15% are expected in some of the more rapidly growing areas.

**Agricultural loans**—Agricultural loans will follow the usual seasonal patterns in most sections of the District, but no significant trend is indicated.

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